

Weekend FT

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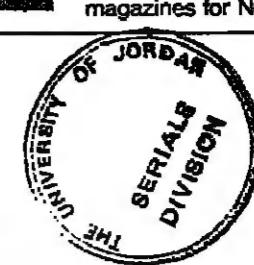
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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Weekend February 23/February 24 1991

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WORLD NEWS

Labour tax
incentives
for investment

The Labour party will announce on Monday that new tax incentives to encourage manufacturing investment and innovation will be among the main planks of its industrial policy for the next election.

The proposals, which follow extensive consultation between the party's frontbenchers and industrialists, are expected to include tax credits for R&D above the existing allowance, as well as greater incentives for private individuals to invest in unquoted manufacturing companies. Page 22

Soviet PM mends links

Soviet prime minister Valentin Pavlov said he "regretted" that his accusations last week that western banks and foreign companies were involved in a terrible scandal aimed at destroying the Soviet economy were interpreted as an attack on western business. Page 3

Ravenscraig job losses

British Steel is to cut the workforce at its Ravenscraig plant near Motherwell in Lanarkshire by a further 1,100, blaming increasingly difficult trading conditions. Page 4

Gandhi ally assassinated

Suspected Assam separatists shot dead Manabendra Sharma, general secretary of the local branch of former Indian prime minister Rajiv Gandhi's Congress party. Balbir Singh Chamaru, a leader of the Sikh hardline Akali Dal party, was also killed at his home in south-east Punjab. More than 20 politically-related killings have been reported since Thursday.

Britain's first astronaut

Heidi Sharman, a 27-year-old chemist from Surbiton, will become the first Briton in space when she joins an Anglo-Soviet mission in May, the Juno project's sponsor, Moscow Narodny Bank, said.

Riot at Hong Kong camp

Hong Kong police fired tear gas to quell a disturbance at the Whitehead detention centre, which houses almost 22,000 Vietnamese boat people. Officials said a scuffle broke out as police searched the compound for home-made weapons.

Albanian asylum bid

A group of 27 Albanians, including 24 servicemen, commanded an Albanian naval vessel in the port of Vlore, sailed 80 miles to Brindisi in southern Italy and requested political asylum, officials said. Tirana calms, Page 3

Guatemala bomb attack

A bomb explosion at the Centro Financiero, a 16-storey building in Guatemala City, caused minor damage to the British embassy offices, but no one was injured, police said.

Jewel export is halted

The arts minister, Timothy Renton, has put a temporary stop on the export of the Middleham Jewel, a 15th century gold and sapphire pendant which would originally have contained a reliquary. A British gallery or museum has until April 17 to raise £2.5m to keep the jewel in the UK.

Liverpool boss quits

Kenny Dalglish, manager of football league champions Liverpool, resigned yesterday.

Liberia talks collapse

Liberian rebel leader Prince Johnson said he had rejected a pact with his rival Charles Taylor on the future government of Liberia and an end to the country's 14-month-long civil war. Page 3

MARKETS

STERLING

New York lunchtime: \$1.9425
London: \$1.944 (1.9575)
DM2.925 (2.9175)
FF13.9475 (2.495)
SF2.5075 (2.495)
Y257.0 (257.0)
£ Index: 94.4 (94.3)

GOLD

New York: Comex Apr
\$358.75 (364.2)
London: \$368.75 (364.35)
US LUNCHTIME
RATES

Fed Funds 6%
3-mo Treasury Bills:
yield: 6.09%
Long Bond:
yield: 16.8 (17.425)

BUSINESS SUMMARY

Sterling at
highest level
for a month

Sterling closed in London at DM2.925, its highest level since January 30, providing evidence that the UK could cut interest rates further without damaging the pound's position in the exchange rate mechanism.

Sterling's weak position in the ERM over the past month has constrained the government from making large cuts in interest rates.

However, the rise of nearly 1 pifang in the pound's value was accompanied by largely ineffective action by the Bank of England intended to damp expectations about an imminent reduction of base rates, now at 13.5 per cent.

Speculation about an easing in borrowing conditions barely disturbed the London stock market, with the FT-SE 100 index closing up 1.9 at 2,314.3.

FT-SE 100 Index

Hourly movements
2340 All-time high 2462.7 (21/9/90)
2330
2320
2310
2300
2290 18 February 1991 22

a rise of 17.4 on the week. On Wall Street, shares rose on hopes of peace in the Gulf, with the Dow Jones Industrial Average up 25.99 to 2179.82 at midsession. Foreign exchange, Page 11; London stocks, Page 12; World markets, Page 19

LLOYD'S opened the clearing banks' results season gloomily by reporting 1990 pre-tax profits of £561m, at the lower end of market expectations.

BARCLAYS, first of the big four UK clearing banks to enter pay talks this year, said it had won union negotiators backing for a revised contract offer. Page 5

NATIONAL Power and PowerGen are to be floated with a fully-paid share price of 175p and an annual dividend yield of 6.3 per cent, the government confirmed. Page 4; Lex, Page 22

GRAND Metropolitan, UK food, drinks and retailing group, said it had reached agreement on revisions to the brewerries-for-pubs swap with Courage, the UK subsidiary of Foster's Brewing. Page 8

BRITISH Steel blamed increasing difficulty trading conditions for its decision to cut a further 1,100 jobs at its Ravenscraig plant near Motherwell, Lanarkshire. Page 4

SOVET ECONOMY shows no sign of an early upturn, according to the Central Statistical Office's longer leading indicator. It fell by a third in January after a two-month period during which it stayed constant. Page 4

PANCONTINENTAL Mining of Australia announced a loss of £553.7m (£33.7m) for the six months to December after写ting off £837.8m, mostly against its gold operations.

SAGA Petroleum, Norway's largest independent oil company, said strong crude prices had lifted profits in 1990 to a record Nkr1.65bn (£102.1m), before extraordinary items, from Nkr511m in 1988. Page 19

ITALY'S first capital gains tax on stock market dealings was approved by parliament. Investors will be taxed at a rate of either 25 or 15 per cent. Page 3

Another possibility is for

Moscow talks with Aziz centre on 6-point plan for withdrawal from Kuwait



Firm stance: the presidential team of George Bush and Dan Quayle (right) appear outside the Oval Office to issue an ultimatum to Iraq

Bush ultimatum to Iraq

By Peter Riddell in Washington, John Lloyd and Leyla Boulton in Moscow and Robert Graham in London

PRESIDENT George Bush

yesterday brushed aside Iraqi attempts to condition any withdrawal from Kuwait and dictated a curt ultimatum to accept an unconditional pull-out by 5pm British time today.

But last night Mr Tariq Aziz, the Iraqi foreign minister, was still trying to negotiate a better withdrawal deal in talks in Moscow with Soviet officials.

This centred on the Soviets trying to broker a six-point agreement, acceptable to both the Iraqi and the 28 nation coalition which had rejected earlier Soviet proposals.

As this complex diplomatic game between Washington, Moscow and Baghdad was acted out into the night it became clear that the Gulf war had reached a critical, possibly final, stage.

The fresh Soviet proposal dropped a controversial condition from the earlier plan that all United Nations sanctions against Iraq be removed when only two thirds of its troops had withdrawn from Kuwait.

This Soviet attempt to allow Iraq an honourable end to the Gulf conflict appeared to fall short of allied demands.

The US ultimatum was closely co-ordinated with other members of the coalition as

well as with the Soviet Union. However, it narrowed the scope for any Soviet deal with Mr Aziz, who arrived in Moscow late on Thursday and has been locked in near-continuous negotiations.

President Bush set eight conditions, insisting all Iraqi forces leave Kuwait City and that all prisoners of war be released within 48 hours of the deadline. All explosives and booby traps also had to be removed within the same time frame.

Behind this was an explicit warning that the start of a

hand after his military machine has sustained heavy punishment from 37 days sustained bombardment.

The Soviets claimed a breakthrough in persuading Iraq early today to accept an eight-point plan for withdrawal from Kuwait.

But allied leaders reacted quickly because it attached too many conditions which were unacceptable to the coalition and not in compliance with United Nations Security Council resolution 680. Under the Soviets' plan, Iraq would be given a 24-hour ultimatum to withdraw.

In contrast, the six-point Soviet plan which Soviet officials said Iraq had accepted, includes a 31-day withdrawal period. The plan talked of a ceasefire implying a full cessation of hostilities. The allies have never talked of a ceasefire merely withdrawal.

President Bush underlined the necessity of an Iraqi pull-out from Kuwait where Iraq had started a "scorched earth" policy, setting fire to some 140 oil wells.

He left President Saddam in no doubt that this was the last chance to avoid a full scale land offensive.

Mr Marlin Fitzwater, the White House spokesman, said: "We're not holding off on the ground war pending this opportunity. We will wait and see what happens and make decisions accordingly."

Although there would be no

formal ceasefire, Mr Fitzwater said "we will exercise restraint so long as withdrawal proceeds".

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The White House said there was no indication that Iraq was preparing to withdraw immediately. Mr Fitzwater said the world needed to be assured in concrete terms of Iraq's peaceable intentions, the recognition of its claims to Kuwait and acceptance of all relevant UN resolutions before the Security Council could agree to lift sanctions.

Continued on Page 22

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Mr Bush, who spoke for half an hour with Soviet leader Mikhail Gorbachev on Thursday and again for 75 minutes yesterday, said the US appreciated the Soviet initiative.

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Continued on Page 22

Saddam's army sets
Kuwaiti oil wells
ablaze

By Victor Mallet in Riyadh

IRAQI forces set alight more than 140 oil wells in Kuwait yesterday, darkening the skies over the country, in what President George Bush described as a scorched earth policy.

The Iraqi action may be a prelude to withdrawal or a tactic designed to blunt the effectiveness of allied air power.

President Bush said President Saddam Hussein's troops were wantonly setting fire to and destroying oil wells, oil tanks, export terminals and other installations of Kuwait. They were systematically destroying the country's entire oil production system.

"It looks like he's carrying out his policy of destroying Kuwait," said Brig-Gen Richard Neal, deputy director of US Central Command in Riyadh in a reference to President Saddam. "There seems to be an orchestrated systematic destruction of the oil-producing capability of Kuwait."

Brig-Gen Neal said the Iraqis were active in all of Kuwait's oilfields, suggesting that they might want to set alight all 950 wells in the country.

Previously, the Iraqis had set fire to between 40 and 50 wells, many of them in southern Kuwait, mainly to obscure troop deployments. Allied pilots, however, recently started to notice a much greater volume of smoke.

"At least 100 wells have been exploded or torched in the last 24 hours," said Brig-Gen Neal. The Iraqis were also destroying more sophisticated facilities, such as refineries and gas-oil separation plants.

Up to a quarter of Kuwait was covered in black smoke, he said, but insisted that military operations would not be severely affected because allied troops had expected this. "Our forces are prepared to operate

Continued on Page 22

Concern in Baghdad that
the worst is yet to come

By Lamis Andoni in Baghdad

SOVIET diplomatic efforts raised hopes in Baghdad yesterday that the war may be coming to an end, but Iraqis were equally aware that the next 48 hours could be the beginning of the toughest stage of the one-month-old conflict.

The main concern expressed in the capital is that an Iraqi acceptance to withdraw from Kuwait may not be sufficient to prevent an allied ground attack. Iraq's position might not make a difference if the real US goal is to destroy Iraq and its military power, said one Iraqi. A well-placed Iraqi source said officials in Baghdad were disappointed with the US reaction to the Soviet proposal. The Iraqi government, he said, expected a slightly more positive response.

Another possibility is for

Iraq to demand a Security Council declaration stressing the urgency of addressing all the problems in the region.

Whether Jordan or the Palestine Liberation Organisation (PLO) are expected to oppose either scenario, "For many in the Arab world, the destruction of Iraq and the stripping of its military power, would seriously undermine prospects for a solution to the Palestinian problem," said a Palestinian close to the PLO.

The first to drop the demand for the US to endorse a formal linkage in return for Soviet guarantees that Moscow, and the European countries, including France, Germany and Italy, would push for a Middle East peace process to start immediately after the war.

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THE GULF WAR

The US wants to make New York, not Moscow, the focus

Bush terms meant to humiliate Saddam

By Lionel Barber in Washington

THE allied terms for Iraqi withdrawal from Kuwait are stiff and explicit. In contrast to the six-point plan put forward by the Soviet Union yesterday, they offer no prospect of face-saving measures for President Saddam Hussein; indeed, they seem designed to guarantee his humiliation, if not his removal from power.

Iraq must start a "large-scale" withdrawal from Kuwait by noon today, and the retreat should be completed within a week. A pull-out which unfolded at that speed would almost certainly require the Iraqi army to abandon substantial amounts of tanks and other military equipment.

This demand should go some way towards easing allied concern about Iraq's military machine and its future capacity to threaten the region.

White House press secretary Marlin Fitzwater laid down a tough timetable and strict conditions for the Iraqi pullout that President George Bush referred to earlier in the day. His prepared statement read:

"First, Iraq must begin large scale withdrawals from Kuwait by noon New York time, Saturday, February 23. Iraq must complete military withdrawal from Kuwait in one week. Given the fact that Iraq invaded and occupied Kuwait in a matter of hours, anything longer than this, from the initiation of the withdrawal would not meet resolution 660's requirement of immediacy. Within the first 48 hours, Iraq must remove all its forces from Kuwait City and allow for the prompt return of the legitimate government of Kuwait."

"It must withdraw from all prepared defences along the Saudi-Kuwait and Saudi-Iraq borders, from Bubiyan and Warba islands, and from Kuwait's Ramallah oil field. Within the one week specified above Iraq must return all its forces to their positions of August 1st in accordance with resolution 660."

"In co-operation with the International Red Cross Iraq must release all prisoners of war and third-country civilians being held against their will and return the remains of killed and deceased servicemen."

"This action must commence immediately with the initiation of the withdrawal and must be completed within 48 hours. Iraq must remove all



The geographical scope of Iraq's retreat is also carefully defined. Mr Saddam must withdraw to the positions occupied as of August 1st last year – the day before his tanks and troops invaded Kuwait.

Significantly, this covers

Bubiyan and Warba islands and Kuwait's Ramallah oil field. These locations, which offer Iraq strategic access to the Gulf, were often mentioned last year as possible incentives to Mr Saddam to relinquish Kuwait as part of a deal brokered by Saudi Arabia.

The allied terms also provide specifically for the "prompt" return of the legitimate government of Kuwait and the withdrawal of Iraqi forces within 48 hours from the country's capital, Kuwait City.

In contrast, the Soviet statement promised that all UN resolutions against Iraq would lapse once all Iraqi forces had left Kuwait. These included the restoration of the pre-invasion government of Kuwait – a central US objective.

The allied terms spell out that the United Nations sanctions against Iraq can only be

exercised or booby traps, including those on Kuwaiti oil installations and designate Iraqi military liaison officers to work with Kuwaiti and other coalition forces on the operational details related to Iraq's withdrawal... to include the provision of all data on the location and nature of any land or sea mines.

"Iraq must cease combat air fire, aircraft flights over Iraq and Kuwait except for transport aircraft carrying troops out of Kuwait, and allow coalition aircraft exclusive control over and use of all Kuwaiti air space."

"It must cease all destructive actions against Kuwaiti citizens and property and release all Kuwaiti detainees."

"The US and its coalition partners reiterate that their forces will not attack retreating Iraqi forces, and further will exercise restraint so long as withdrawal proceeds in accordance with the above guidelines and there are no attacks on other countries."

"Any breach of these terms will bring an instant and sharp response from coalition forces in accordance with United Nations security Council 678."

Answering questions afterwards, Mr Fitzwater said the allied effort would give Saddam "a chance to save his country".

"We've said we're holding off on the ground war pending this opportunity. We will wait and see what happens and make decisions accordingly," he said.

lifted once Iraq has given evidence of its peaceful intentions, through an immediate and unconditional withdrawal.

If sanctions are lifted early, the allies warn, "Saddam Hussein could simply revert to using his oil resources once again – not to provide for the well-being of his people, but instead to re-arm."

By calling on Iraq to accept the allied terms publicly in a statement to the UN, Mr Bush is seeking to keep Mr Saddam's nose pressed firmly to the ground, but he is also removing the centre of gravity from Mr Gorbachev in Moscow to the UN in New York.

Aside from the strong political content in the allied terms, there is evidence that plenty of thought was applied overnight to the military conditions for an Iraqi pull-out.

Civilian and military com-

manders in the multinational coalition have warned that an Iraqi withdrawal which was less than total could lead to allied casualties. Memories of politically inspired ceasefires in the Korean war remain strong in Washington.

Thus, the allies require exclusive control of all Kuwaiti air-space; the removal of all explosives and booby-traps around oil installations; and full data on the myriad mines on land and at sea. Defusing these mines presents an enormous task, as British forces discovered during their re-occupation of the Falkland Islands after the Argentine occupation.

Although the US and its allies promise not to attack retreating Iraqi forces, they warn Iraq that this restraint will only be exercised on condition that Baghdad refrains from attacks on other countries – a clear reference to the continuing Scud missile strikes against Israel and Saudi Arabia.

The allied terms call for the immediate release of all prisoners of war as well as third-country civilians (such as the CBS news crew believed to be held in Baghdad).

There is no suggestion that these moves should be conditional on an allied ceasefire.

Instead, reflecting the tough tone of the allied terms, the best Mr Saddam can hope for is an allied pledge not to launch a ground war by noon tomorrow.

If he complies with UN sanc-

tions and accepts the terms of

what would amount to a clear political and fairly conclusive military defeat.

The prize of a peace settlement in the Gulf is no doubt worth pursuing for Mr Gorbachev. It offers several attractions. It would boost his international prestige, battered by repressive action at home soon after he won his Nobel Peace Prize last year.

It would defend his "new thinking" in foreign policy from attack by the Communist party's newly-confident military and political establishment. The latter are using the Gulf War to argue that Soviet diplomacy has been little more than a sell-out to the "imperialist west".

If diplomacy does succeed, this would be a very meaningful precedent for a foundation for a better future. The world will no longer be the same," Mr Vitaly Churkin, the foreign ministry spokesman, promised reporters yesterday.

He said western scepticism over peace proposals published by the Kremlin after President Gorbachev's talks with Mr Tariq Aziz, the Iraqi foreign minister, was due to a misunderstanding.

But the fact that President Bush was briefed by Mr Gorbachev early yesterday – while an excited Mr Vitaly Ignatenko, the presidential spokesman, was talking to reporters – makes the "misunderstanding" theory hardly credible.

Rather, it suggests Moscow has been desperately trying to push Iraq towards an offer more acceptable to the western-led coalition, as Mr Gorbachev's abrupt cancellation of a news conference yesterday would also appear to suggest.

The Moscow talks resumed with a breakfast session between Mr Alexander Bessmertnykh, the foreign minister, and his Iraqi counterpart.

The eight points read out to reporters by early yesterday, were already "history" by the afternoon, according to Mr Churkin. "We have covered a very long road. During today's round of talks further progress has been made."

He cited, however, the need

Soviet president reaches out for a real peace prize

By Leyla Boufoun in Moscow

PRESIDENT Mikhail Gorbachev is trying to be all things to all men in the Gulf crisis. But it is not clear how much longer he will be able to perform a balancing act between the western allies and hard-line communist comrades who want peace at any cost.

The allied terms call for the six-point plan for withdrawal, which was presented as a refined version of the earlier eight-point programme.

It is clear that Moscow's "road to progress" must involve obtaining a quick Iraqi withdrawal, guarantees of Kuwaiti sovereignty, and the removal of conditions such as a suspension of UN economic sanctions after Iraq pulls out two-thirds of its troops.

Even if this is achieved however, there is one big difference between Washington and Moscow which has not been explicitly spelled out but which could ultimately condemn Soviet peace efforts to failure. And that is whether President Saddam should be allowed to stay in power.

Soviet hardliners see the Iraqi leader as a friend, the man with whom Moscow still has a friendship treaty requiring both sides to fight "fascism and imperialism". Although the Kremlin would probably not regret the departure of the Iraqi leader, it cannot now admit this in public.

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But it must also find a way of persuading the US, Britain and Iraq's neighbours who belong to the coalition that Mr Saddam will not be a threat to the lasting peace required by UN resolutions.

With Mr Bush apparently determined to start a land war unless Iraq begins a withdrawal by noon Washington time today, Moscow has little time to achieve all these objectives. Mr Churkin said that the outbreak of a land war would seriously threaten chances for a peaceful settlement.

"We are concerned because land hostilities are very different from any kind of computer war-game, and they can so shake the international system that neither side would feel any gratification from hostilities taking place," he said.

If its efforts fail, Moscow will have at least laid the ground to tell the world and domestic critics that it tried its very best to stop the so-called "computer war-game" from escalating into an ugly "real" war.

The question which then arises is how far Mr Gorbachev will be prepared to strain his vastly improved relations with the US and the west – and jeopardise long-term economic assistance – by prevaricating on support for the allied cause.

Jordan Pales

Kuwaiti soldiers listen to the latest news on the fate of their country, while sitting in the desert on the Saudi-Kuwait border. The sky is black with smoke from burning oilfields.

White House expects US war costs of up to \$77bn

By Peter Riddell, US Editor, in Washington

THE Gulf war could cost the US between \$58bn and \$77bn (\$28.5bn) in the current fiscal year, according to formal estimates submitted to Congress yesterday by the Bush administration.

The administration is seeking \$15bn in taxpayers' support, which has already been earmarked. In addition it will use all the \$15bn so far pledged by Saudi Arabia, Kuwait, Japan, Germany and other allies for the first three months of this year.

These figures cover both the pre-war phase from the start of the fiscal year last October up to the outbreak of fighting in mid-January, and the costs of war itself.

The first three months of fighting is expected to cost between \$25bn and \$44bn, depending on the exact mix of air and ground campaigning.

There are now 530,000 US troops in the Gulf region.

These estimates assume that fighting lasts until the end of March.

Of the \$51bn pledged for war, just under \$15bn has so far been received in cash and services, mainly from Saudi Arabia, Kuwait and other Gulf states in the pre-war period.

This mainly comprises about \$10bn paid up to the end of December to cover costs of \$11.1bn for that period.

There has been considerable irritation in Washington, both in Congress and the administration, at the slow rate of disbursement by Japan and Germany, especially since neither country is making any direct military contribution.

Germany has recently stepped up its payments to \$3bn, in cash and equipment, while Japan has disbursed only \$1.3bn.

Maybe we'll go through a short quiet period, but later this tragedy will repeat itself. Therefore we'd like to see a final solution to this danger and this threat," Mr Shamir said.

Earlier in the day, Mr Shamir had expressed concern that an Iraqi withdrawal under the terms offered by Moscow would leave Israel facing a continuing threat from Iraq, which has fired more than 30 Scud-B ballistic missiles at Israel since the war began.

The prospect of a full-scale ground war in Kuwait does hold serious worries for Israel, however. The government and military authorities have warned the public that Iraq may at that point attempt to launch missiles with chemical warheads at Israeli cities. To date, all the Scuds have carried only conventional explosives.

Before the Jewish weekend began yesterday, warnings were broadcast on the radio and television cautioning the public against complacency.

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Reporting based on formal and informal briefings by the military authorities of all the countries involved in the war is subject to various controls.

"Pool" reports from the military zone in Saudi Arabia and reports from Baghdad have to be submitted to censors.

Refugees flee Basra bombing

EPIDEMICS are sweeping the southern Iraqi city of Basra and 60 per cent of its 2m population has fled from allied bombing, according to refugees reaching Iran, Reuter reports from Nicolas.

The Iranian news agency IRNA quoted refugees as saying that contaminated water had brought an outbreak of diarrhoea and other diseases.

Basra, Iraq's second biggest city and a garrison town, has been the target of daily allied air raids since the Gulf war began.

One refugee told the agency he had seen women and children mutilated by the air raids and said damage included some civilian targets.

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Full UK support for Washington's stance

By Ralph Atkins and Robert Mauthner

BRITAIN yesterday gave its full backing to US President George Bush's latest call for the unconditional withdrawal of Iraqi forces from Kuwait by 5pm GMT today.

One US official cautioned yesterday that an early end to the UN trade embargo opened the door to the rearming of Iraq, possibly by an economically strapped Soviet Union desperate for hard currency.

A phased withdrawal could also jeopardise allied war planners' efforts to force the Iraqis

to leave their heavy armour behind in what the US-led coalition hope will be a swift, shameful retreat.

The Soviet proposal called for the Iraqi withdrawal to be completed within 21 days and withdrawal from Kuwait City within four days. Unlike UN resolutions, the Soviet plan does not precisely define the geographical points to which Iraqi troops should withdraw – a concern raised by exiled Kuwaiti officials yesterday.

From the military perspective, Mr Bush's ultimatum is designed to end the waiting game which the coalition has been forced to play this past week.

Already, Moscow's diplomatic manoeuvres have cost the allies successive moonless nights and high tides, the most favourable time for launching a ground offensive.

Military officials have warned the president that the fighting edge developed by coalition forces could be dulled if delays continue. Mr Bush's promise of an early, violent ground offensive to liberate Kuwait remains in tune with the accelerating tempo of Operation Desert Storm – rather than the pause called for by the Moscow.

Before Mr Bush's statement yesterday, one US official said the president might have found it painful to accept the Soviet plan, but he probably would have found it even more painful to reject. By exposing the weaknesses in the Soviet plan and coming up with new terms agreed with his allies in the multinational plan, Mr Bush in effect trumped Moscow's hand.

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Already, Moscow's diplomatic manoeuvres have cost

THE GULF WAR

Oil prices slip as traders wait for peace news

By Deborah Hargreaves

WORLD OIL prices fell yesterday as the chances of peace in the Gulf appeared more likely, but traders were confused about the direction of the market and eagerly awaiting more news on the peace process.

"The trading community has been pulled in so many directions over the last few days and now it's holding out for facts," said Mr Peter Gilmour, director of international energy at Lehman Brothers.

It is achieved here, one big difference between Washington and Iraq has not been settled out but which efforts to failure whether President

will be allowed in

dinners see the friend in Moscow and up to fight the imperialists. Kremelin would regret the defeat of a leader, it can't be in public

with whom still has a p treaty

but find a way to the US. Brian says ours who have on that it is a threat to us

but appears to start a race to see who has the most weapons

and has had a hard time getting changes to the

united states are very

the world from us. However, the great and those tried to do what we can do to the

war which is for the US. Germany

is a threat to the west - as an armistice to prevent the other

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ce oil

UK NEWS

City gives mixed reaction to pricing of power sell-off

By Clare Pearson and Juliet Sychrava

THE government confirmed yesterday that National Power and PowerGen, the two electricity generators, will be floated with a fully-paid share price of 175p and an annual dividend yield of 5.3 per cent.

In setting the terms the government has tried to avoid the accusations of underpricing that followed the sale of the 12 regional electricity companies last November.

City analysts' verdicts yesterday ranged from "competitive" to "tight" to "disappointing". They said it left little scope for a large early premium when dealings start on March 12.

However, I.G. Index, the financial bookmakers, quoted first-day prices of 115p for National Power and 125p for PowerGen compared with the initial payment of 100p. Mr Frank Dobson, shadow energy secretary, said that it was a "bargain basement price" in a government clearance sale.

Private investors should

have more chance of getting larger allocations than in the sale of the regional companies. The minimum application level has been set at 300 shares, compared with 100. Even if there is heavy public demand, the minimum allocation is unlikely to be much under 250 shares. The government has not ruled out a ballot.

The sale of 60 per cent of the shares in each company will raise £2.16bn - 2350m higher than expected earlier this year. Adding on the company's debt, government proceeds from the privatisation will amount to £2.6bn.

Investors have to buy shares in both companies, which will be offered for sale in a package containing 62 National Power shares and 38 PowerGen shares.

The price was set after institutions told the government how many shares they were prepared to buy at different yield levels. Those who bid at above 6.3 per cent were eliminated.

Japanese allocated 8% of generators

JAPANESE investors, who have been enthusiastic buyers of shares in the regional electricity companies, have been rewarded with a sizeable allocation of the £1.6bn sale of shares in the generators, writes Clare Pearson

Japan has been given 40 per cent of the £430m shares initially laid aside for overseas investors - 8 per cent of the total sale. In the sale of the

regional companies last November, Japan had only 4 per cent of the total.

Nomura, the securities house acting as lead-manager for the issue in Japan, reported very strong interest.

Japanese investment in the regional companies has increased by a net 50 per cent since flotation, even though the shares have traded at big premiums to their issue price.

NEWS IN BRIEF

'Difficult' for Parrot to raise £3m

RAISING £3m in equity finance to get Parrot Corporation in operation had proved much more difficult than any of the company's original backers had envisaged. Mr Frank Peters told Cardiff Crown Court yesterday, writes Anthony Moreton.

THE BLUE ARROW TRIAL

Directors knew of add-ons, jury told

BLUE ARROW directors were fully aware that advisers were buying extra shares in the company after the official closure time for its unsuccessful £237m rights issue in September 1987, the Blue Arrow trial was told yesterday.

Under cross-examination, Mr David Roper, former vice-president of Dillon Read, the US

advisers to Blue Arrow, agreed that no attempt had been made to "keep in the dark" those Blue Arrow directors present at the meeting on September 28, 1987, when the extra shares were bought.

Court report by
John Mason

Mr Jeremy Roberts, QC for Mr Jonathan Cohen, the former County chief executive, suggested the directors were aware of what was happening. Mr Roper replied: "That is correct."

Mr Roper, a prosecution witness, admitted that "alarm bells rang" when it was suggested that County NatWest, Phillips & Drew and Dillon Read should buy shares after the spin deadline.

However, he accepted on trust an assurance from Mr Nicholas Wells, a former County director and one of the

defendants, that this proposal had been checked by lawyers.

Later, challenged by Mr Vivian Robinson QC, for Mr Wells, he agreed this assurance could have referred to legal advice taken before the meeting rather than after it became known that only 38 per cent of the issue had been taken up.

County NatWest, NatWest Investment Bank, UBS Phillips & Drew Securities and seven city professionals including Mr Wells and Mr Cohen, deny conspiring to mislead the markets over the outcome of the record-breaking rights issue to finance Blue Arrow's takeover of Manpower, the US employment agency.

Mr Roper said there was nothing unusual in a merchant bank "doing its bit" to support rights issues it was managing and that it was not customary to inform the markets of this.

He agreed with Mr Roberts that County had behaved responsibly in buying the shares and selling them gradually so as not to depress the share price.

However, questioned by Mr Nicholas Furness QC, for the prosecution, Mr Roper said he had no previous experience of shares being bought after the issue deadline.

The trial continues on Monday.

Job losses in newspapers

By Alice Rawsthorn

NEARLY 100 job losses were announced yesterday in the newspaper industry through cost cutting at the Press Association, the London-based news agency, and the Southern Evening Echo in Hampshire.

PA, which supplies news to national and local newspapers,

is reducing its workforce by 75 - one in seven employees - during this year.

The Southern Evening Echo, based in Southampton, announced the loss of 18 jobs.

These job losses, a combination of natural wastage and redundancy, are part of ration-

Tessas reach 1.5m

SAVERS opened 1.5m tax exempt special savings accounts (Tessas) when they were introduced last month, according to a survey by FRS and SRA, members of the MAI Information Group.

Banks won nearly 50 per cent of Tessas business.

Foreign stake grows

FOREIGN investors own a greater share of British companies than had previously been thought, according to the latest share register survey from the Central Statistical Office.

Non-UK investors owned 12.4 per cent of publicly quoted UK companies, as against the previous estimate of 10 per cent.

Unit trust sales slow

UNIT trust sales got off to a slow but positive start in 1991, with net new investment in January of £128.7m - almost the same level as last year.

SIB's levy proposals

THE Securities and Investments Board issued a consultative document on how financial advisers are to pay levies to finance the Investors Compensation Scheme in 1991-92.

Following a dispute with Fimbra, the self-regulating organisation for independent financial advisers, SIB has gone to the High Court for a ruling on the legal status of certain losses. It proposes that the levy is in two tranches, the second being determined after the High Court ruling.

alisation intended to save £1m a year. PA plans to contract out 'peripheral' services such as cleaning and security and to cut 12 journalist jobs.

Mr Robert Simpson, chief executive, said the downturn in advertising had forced many newspapers subscribing to PA to cut editorial costs. PA had lost £500,000 in recent months due to cancellations.

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Ravenscraig to lose a further 1,100 jobs

By James Buxton, Scottish Correspondent

BRITISH STEEL yesterday blamed increasingly difficult trading conditions for its decision to cut the workforce at its Ravenscraig plant near Motherwell, Lanarkshire, by a further 1,100.

It is to continue to keep one of the two operating blast furnaces at the plant out of action and to supply the adjacent Dalzell plate mill from the Teesside steelworks instead of from

because of a continuing fall in demand and weak prices for strip products in both UK and international markets.

This brings the number of jobs being shed this year by British Steel in Scotland to just over 3,000. The strip mill at Ravenscraig closed last week with the loss of 770 jobs. The Clydesdale tube works at Bellshill is to close next month with the loss of 1,200 jobs.

By the end of July, when the 1,100 people affected by yesterday's announcement will have left, British Steel will have only 2,300 people at its Scottish plants. Last week British Steel announced 300 redundancies at its Scunthorpe works on Humberside.

The news of the latest job losses was

greeted in Scotland with anger tinged with resignation. Mr George Quinn, a union convenor at Ravenscraig, said: "It's the end of Ravenscraig."

Like others, he is concerned that the viability of the plant will be undermined by the permanent shutting down of one blast furnace and by the breaking of the link between Ravenscraig and Dalzell.

The Scottish Development Agency, which is still studying options for the future of the Scottish steel industry, said the decision was "bitterly disappointing" although it did not specifically affect the slim options that it was studying to persuade British Steel to keep Ravenscraig open in the future.

Mr Ian Lang, Scottish secretary, said

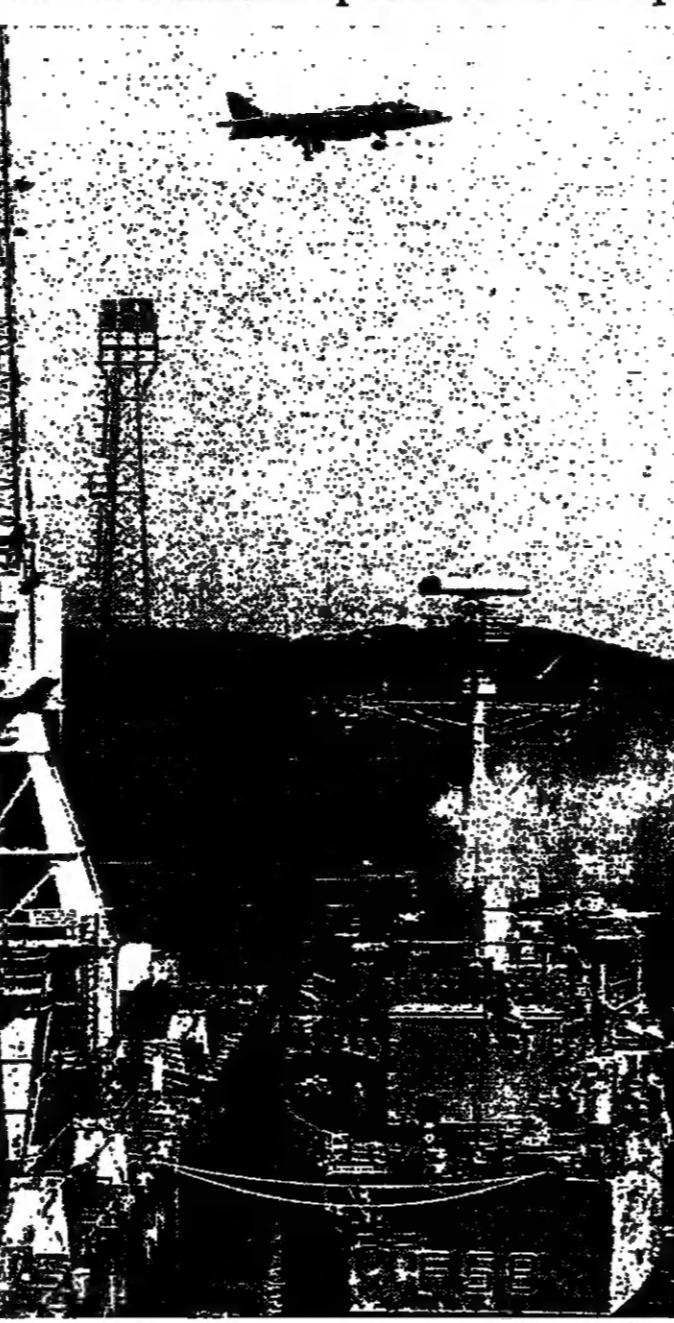
the decision, though widely predicted, was most unwelcome news for Lanarkshire, where the government would be stepping up its studies of the consequences of British Steel's withdrawal. But he said he had been assured by Mr Martin Llwrnoch, British Steel's chief executive, that British Steel's commitment to keep Ravenscraig open until 1994, "subject to market conditions", still stood.

British Steel said the decision to close the blast furnace was part of its policy of preferentially loading its lowest cost plants. It was more efficient to supply the Dalzell plate mill from Teesside than from Ravenscraig whose output of steel slabs would continue to go down.

Mr Ian Lang, Scottish secretary, said

Rosyth community prepares for survival

James Buxton reports on local opposition to the leaked closure of the naval base



Watershed: Rosyth's closure would be a "body blow" to Fife

Iraqi businessmen to leave

By Richard Donkin

TWO IRAQI businessmen whose London company was suspected of trying to export missile technology to Iraq were allowed to leave the UK yesterday after completing a deal to sell their engineering subsidiary.

Mr Adnan Al-Amiri and Mr Hana Jon, two directors of Technology and Development Group, a company ultimately owned in Baghdad, were among the British-based Iraqis rounded up and held in Pentonville prison.

Both were later freed to allow them to complete negotiations for the sale of Matrix Churchill, the Coventry machine tool manufacturer, but the Home Office would not extend the deadline on their deportation order beyond yesterday.

Complex negotiations to sell the company to Automation Investments, the holding company of BSA Tools, the Birmingham lathe maker, ended on Thursday night.

During the late 1980s, BSA Tools was among several UK

companies that negotiated the sale of machine tools to Iraq for use in the manufacture of military equipment. It had a £7m contract to supply machine tools for a military production line in Iraq.

The deal also includes the possibility of an additional payment if the net asset value of the company rises above £6m. Clauses have been included to prevent some asset sales by AI and to prevent the sale of more than 35 per cent of AI shares.

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Two years ago, BSA Tools was purchased from White Consolidated Industries of the US in a management buy-out about four years ago led by Mr Keith Bailey, a former president of the UK Machine Tool Technologies Association. Mr Bailey, BSA chairman, acted as caretaker chairman of Matrix Churchill while the deal was negotiated.

Since then, however, it has failed to show a sustained move upwards.

According to revised CSO data, the indicator reached 94.6 in October, and stayed at 95.1 in both November and December, before falling to 94.8 last month.

Official indicators show no sign of early upturn

By Peter Marsh, Economics Staff

HOPES THAT the recession may be near to bottoming out were weakened yesterday by official economic indicators showing no sign of an early upturn.

The Central Statistical Office's longer leading indicator, which is designed to show changes in the economy a year before they happen, fell by a third of a percentage point in January, after two months during which it stayed constant.

This indicator, which is based on a number of factors such as share prices, interest rates and housing starts, declined to a low of 94.4 last May.

Two years ago, Technology and Development Group entered into a joint venture with a company owned by Dr Gerald Bull, the Canadian inventor of the Iraqi supergun who was assassinated last year.

The trend indicates that the economy has yet to show clear signs of reaching a trough, an impression confirmed by other CSO indicators published yesterday which foreshadow changes in the economy a few months before they occur.

All the indicators support the theory that economic activity will continue to decline to reach a low around the middle of this year. At this point, helped by cuts in interest rates, a slow recovery could start.

Some early signs of an upturn could occur when the CSO publishes its longer leading indicator for February in about a month's time.

This figure is likely to be higher than the January number, showing the effects of the recent rally in share prices and the half percentage point cut in base rates on February 13.

Labour pledges boost for regional spending

By Paul Cheeswright, Midlands Correspondent

LABOUR will increase spending on regional incentives for companies if it is returned to power, Mr Gordon Brown, the party's trade and industry spokesman, promised yesterday. But he added, "we will only spend what we can afford to spend."

Speaking in Wolverhampton after meetings with local political leaders, trade unionists and businessmen, Mr Brown undertook to put central government resources behind local initiatives to improve the business performance of companies in the regions.

Reflecting the desire to provide incentives for established companies, as well as those making fresh investment in a region, Mr Brown promised grants to support training and research and development. He also undertook to help small and medium-sized companies break into overseas markets.

He linked regional and training policy, observing that even with the economy in recession some companies still face skills shortages. Noting that 100,000 school leavers a year receive no training at all, he gave a guarantee that all 16 to 19 year olds would get "high quality training".



Paddy Ashdown: challenged Tories to clarify their stance

our troops are in actions abroad, is profoundly unhelpful".

The government's interest rate policy was also attacked again by Sir Alan Walters, former adviser to Mrs Margaret Thatcher. In an article in the London Evening Standard he warned that the government could let Labour win the next election.

However, Mr Chris Patten, Tory party chairman, last night said beating inflation was "at the heart" of the government's programme. "Matching and, if possible, bettering the inflation performance of our competitors will be a cornerstone of our next manifesto," he said.

The Conservative candidate in Ribble Valley, Mr Nigel Evans, is defending a majority of more than 19,000. The contest on March 7 was caused by the elevation to the House of Lords of Mr David Waddington, former home secretary.

By John Hunt, E

Barclays wins union backing for revised offer

By Michael Smith, Labour Correspondent

BARCLAYS BANK, the first of the big four clearing banks to enter pay talks this year, yesterday won union negotiators' backing for a revised offer which it says will add slightly more than 7 per cent to non-managerial staff costs during the full year of the agreement.

The proposed deal, accompanied by an agreement on job security, will influence pay talks at Lloyds, National Westminster and Midland banks and other financial services companies. They will also set the tone for talks in other white-collar sectors.

If approved in a ballot, salaries would be 9 per cent higher by the end of the 12 months, but the effect of the agreement on this year's pay bill has been mitigated as it will be implemented in stages.

Pay will be frozen at its present level in the first month of the agreement then rise by 7.5 per cent from March 1, the second month, and by 1.5 per cent from August 1, the seventh month.

Barclays had justified its initial offer of 7 per cent by saying that pay settlements nationally had to come down to help reduce inflation and interest rates.

The full-year cost of the deal it has struck with negotiators of the Barclays Group Staff Union is considerably less than the last reported inflation rate of 8 per cent. However, the

staging of the deal means that there will be a delayed effect on next year's pay bill: the paybill for the year from next February would rise even if the bank decided to freeze salaries.

BGSU, one of two unions which negotiate with Barclays, has agreed that, if members approve the deal, it will not submit a claim for an increase in territorial allowances before July 1992. The allowances are normally reviewed every August.

The bank has undertaken to "use all possible and reasonable means to avoid compulsory redundancies" during the next two years and to maintain current voluntary severance terms.

BGSU sought assurances on job security after an interview in the Financial Times last Monday in which Sir John Quinton, bank chairman, said that he wanted a cut of 15 to 20 per cent of the bank's 97,000 employees during a period of years.

The pay and job security offer is still being considered by the Banking, Insurance and Finance Union, which said acceptance was by no means certain.

Mr Eddie Gale, BGSU general secretary, said the 9 per cent phased increase was a considerable improvement on the opening offer.

Voting in the ballot would be influenced by the payout of a profit-sharing scheme due to be announced next Thursday.

Commons setback for TV in courts bill

By Emma Tucker

A PRIVATE MEMBER'S bill to allow research into the televising of courts and the workings of juries failed to get a second reading yesterday when time for debate ran out.

The government did not oppose the measure, but gave it a cautious response. The bill, supported by the Bar Council, proposed the removal of a ban on photography in courts and the repeal of section 8 of the 1981 Contempt of Court Act, which prohibits the interview of jurors.

Senior judges are understood to be opposed to the introduction of such legislation.

The sponsor of the bill, Mr Mike Woodcock, Conservative MP for Ellesmere Port and Neston, said most people did not have the time or the will to visit courts.

"It is very important that people have confidence in our judiciary and legal system," he said, adding this could best be

achieved by allowing the public to see judges, lawyers and the police at work and see how courts made their decisions.

Mr Nicholas Lyell, the solicitor general, voiced reservations, saying broadcasters would be under pressure to produce "vivid and immediate" television.

"It would be easy to transgress that fine line between a fair and balanced report and the education and public information aspects and drift over into entertainment if not section," said Sir Nicholas.

He said the existence of cameras would add to the often considerable pressure that witnesses were under and may deter them from coming to court.

Sir Nicholas said the confidentiality of proceedings in the jury room was "extremely important", and any research would have to be conducted under strict guidelines.

Royal Opera rejects corporate criticism

By Andrew Jack

THE ROYAL Opera House at Covent Garden yesterday rejected claims by some corporate sponsors that it does not provide value for money.

Mr Ewan Balfour, public affairs manager, said the level of business sponsorship and the high rate of seat occupancy at Covent Garden demonstrated the quality it provided.

"The Royal Opera House receives more corporate support than any other arts institution.

His comments follow a survey of top executives' attitudes towards Covent Garden, published in *Opera Now* magazine. Several senior corporate figures expressed disappointment in the facilities, prices, performances and services to sponsors.

"Our comments were in the spirit of constructive criticism, not griping," said Mr Michael Pridaux, director of public affairs for BAT Industries.

Plan to fine unreasonable building appeals dropped

By John Hunt, Environment Correspondent

THE GOVERNMENT has scrapped its controversial proposal to penalise construction companies and individuals who unreasonably request a public inquiry or hearing into a refusal to grant planning permission.

The scheme in the Planning and Compensation Bill would have meant that an appellant acting in a way the planning inspector decided was unreasonable would be punished by having costs awarded against them.

The intention was to streamline the system and prevent unnecessary delays when a local authority refuses planning permission. But a wide variety of organisations objected that it would undermine the whole procedure and deter people exercising their right to appeal.

Baroness Blatch, junior envi-

Lottery supporters pursue their national prize

Neil Buckley reports on the growing campaign for a nationwide draw to raise funds for worthy causes

A Speculation grows that the government might be planning to change laws that prevent a national lottery, one company believed it may have found a way round them.

UK Charity Lotteries launched the Scratchcard lottery across London earlier this month and says it has sold more than 1m tickets. Mr Frank Flannery, the managing director and an effusive Irishman, has a particular reason for wanting Scratchcard to succeed - his last game venture, Skilball, was suspended at the end of last year.

Scratchcard is not one lottery, but a series of them run on behalf of different organisations. Each falls within the 1976 Lotteries and Amusements Act, which limits the value of tickets sold in any one lottery to £150,000 with a £10,000 maximum prize.

Tickets are on sale at 5,000 shops and pubs, and 78 charities and sports clubs have joined the scheme. They will receive 27 per cent of the proceeds. The promoters take 25 per cent while the remaining 48 per cent is paid out in prizes.

Mr Flannery says the scheme will go nationwide if enough organisations join and demand for tickets is high enough.

He has chosen an interesting



Platform tickets: travellers try Scratchcard yesterday at Victoria station, London

time to launch the game. There were reports last week that Mr John Major, the prime minister, had asked the Treasury to investigate the possibility of a national lottery and there is speculation that legislation to allow one may be announced in the Budget next month.

A Treasury official this week denied that a national lottery scheme was being actively investigated. "It's something that's always on the back burner. Occasionally we bring it forward to the front burner and, to mix my metaphors, we

never put it in the fridge."

Outside Whitehall, support has grown for a national lottery.

The Sports Council, the British Olympic Association and Lord Pumilio, Arts Council chairman, are backing a

plan put forward by the Lot-

tery Foundation Company.

The company, formed four months ago to

press for a change in the law,

is headed by Mr Denis Vaughan,

the conductor, Lord Harewood,

chairman of the English National Opera, Mr Eddie Kulukundis,

the impresario, Mr Denis How-

ell, Labour sports spokesman, and Lord Birkett, former deputy director of the National

Theatre. Last week the trust's secretary, said this week he expected to receive a further £40,000 that would go to charities.

Questions were asked in the Commons about the failure of Skilball. However, Mr Flannery, the managing director of Golden Grid, the company which ran the game, insists the project failed because of poor marketing and advertising, and the imprecise, Mr Denis How-

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pected to receive a further £40,000 that would go to charities.

A final incentive, supporters argue, is that with the advent of the single European market in 1992, the European Commission may put pressure on the UK to change its law preventing foreign lotteries from operating in the country.

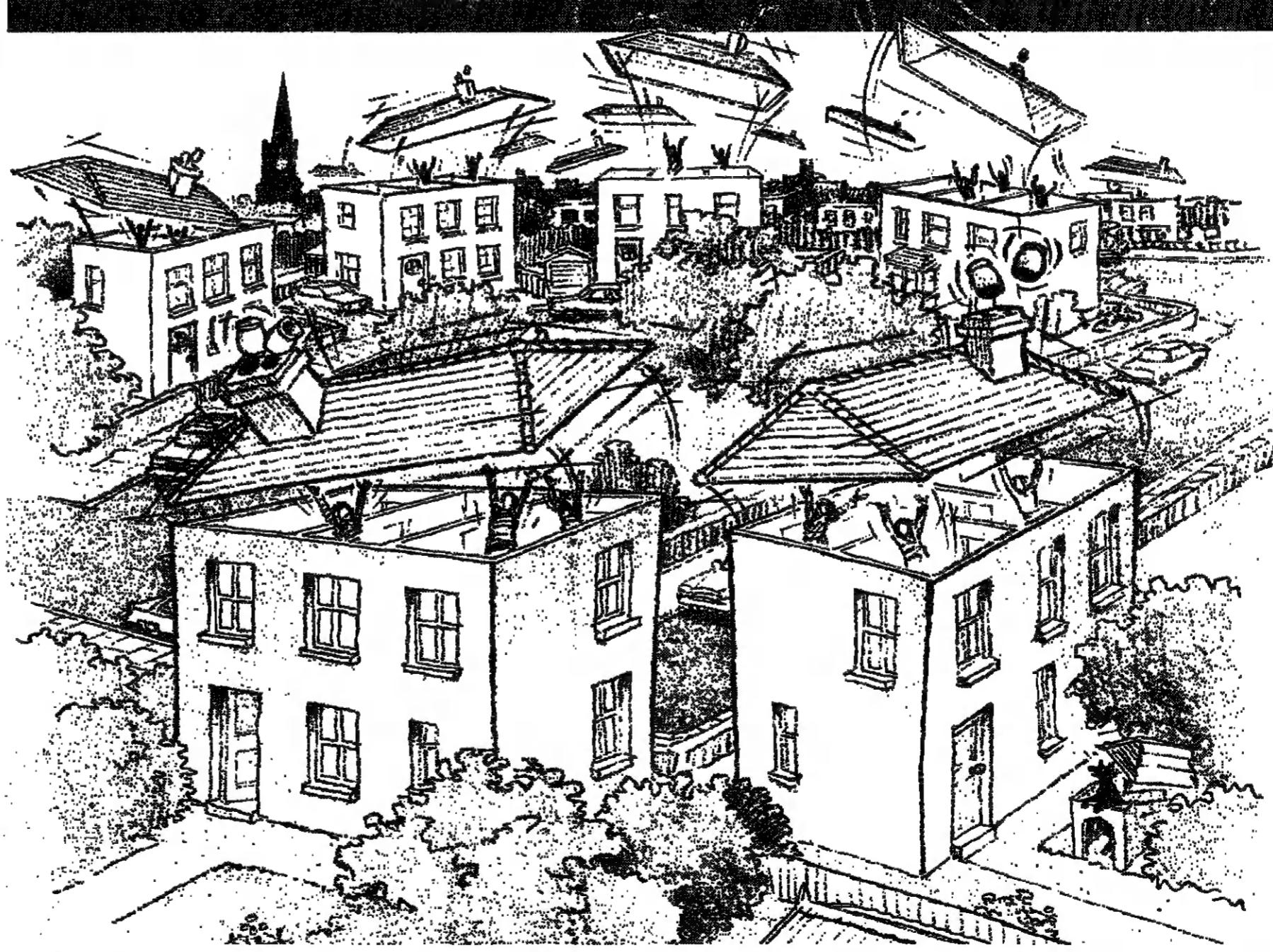
It would be a tragedy, the

campaigners say, if money that could flow into a British lot-

tery instead ended up subsidising arts and sport overseas.

MORTGAGE RATE DECREASE

HALIFAX RATE CUT BY 0.75% FOR NEW MORTGAGES. (CAUSE FOR A SMALL CELEBRATION.)



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You'll find plenty of reasons to celebrate.

ANY HOME LOAN MUST BE SECURED BY A MORTGAGE. A SUITABLE ENDOWMENT POLICY MAY ALSO BE USED AS SECURITY FOR THE LOAN. A MORTGAGE GUARANTEE PREMIUM IS CHARGED WHERE THE LOAN EXCEEDS THE SOCIETY'S NORMAL LENDING LIMITS. RATE AND APR QUOTED ARE VARIABLE AND ARE EFFECTIVE FOR NEW MORTGAGE OFFERS FROM 21/2/91. WRITTEN QUOTATIONS CAN BE OBTAINED FROM YOUR LOCAL OFFICE OR HALIFAX BUILDING SOCIETY, TRINITY ROAD, HALIFAX, WEST YORKSHIRE HX1 2RG.

YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

Endgame in the Gulf

IRAQ HAS led the emotions of the world in a cruel dance since it invaded Kuwait on August 2. But the music could stop at high noon today. If President Bush means what he says, and there is no reason to doubt him and his allies, Saddam Hussein must finally face up to reality.

There will be no more prevarication, no more dissembling, no more appealing to disparate audiences, no more playing one side off against another. Now his options are quite clear. To withdraw from Kuwait, on terms that might allow him a chance of personal and political survival, or to fight a land war to an end in which he will be lucky to achieve either.

Even before Mr Bush delivered his ultimatum yesterday, it had become apparent that Iraq was moving, albeit unwillingly, towards the endgame of this conflict. It still remains possible that Saddam Hussein is inviting martyrdom. A literal reading of his speech on Thursday suggests no more than this. But the later announcement in Moscow of the Iraqi "acceptance" of the Soviet peace terms, insufficient though these were to satisfy Mr Bush and the coalition, demonstrated an instinct for survival that is consistent with everything in his record. So had the qualified acceptance of United Nations Resolution 660 issued a week before.

The question for the allies is straightforward. It is whether or not to settle for peace on terms that would allow Mr Saddam to withdraw from Kuwait with enough honour, credibility and power intact to allow not only his own survival in Iraq, but his capacity to remain a force in the region. Washington, London and the Gulf states, not to mention Israel, would like nothing better than his removal. This would ideally be effected by his own citizens, who have not exactly prospered under his rule, but this cannot be assured. As it stands, the explicit aims of the coalition, enshrined in the 12 UN resolutions, are only the restoration of the independence of Kuwait. They should not be extended, even in a land war, simply because they were the basis on which the coalition was formed and has held together.

Soviet role

Potentially complicating matters further for Mr Bush is the role of the Soviet Union in the negotiating process. The president himself paid enough tribute to Soviet efforts yesterday to demonstrate that he understands the need to keep Moscow on side. But, in engaging in the ultimate brinkmanship,

President George Bush is winning the Gulf war, but when will he declare victory? The Soviet/Iraqi peace plan, unveiled in the early hours of yesterday morning, posed that question by offering an end to the war on terms which could not, for the first time in the seven-month crisis, be rejected out of hand - even though the specific conditions are unacceptable to the coalition.

Mr Bush made plain in his robust answer yesterday that the war will end not with a messy compromise allowing Mr Saddam Hussein to save face but with strict adherence to successive United Nations resolutions.

His tough ultimatum to Iraq to begin withdrawal by 5pm GMT today and to complete the pull-out from the whole country within a week also regains the initiative for the US and its allies in defining the terms for ending the war - following nearly a week in which the Soviet Union and Iraq appeared to be setting the agenda. While Mr Bush has publicly thanked Mr Mikhail Gorbachev for his initiative, there has been irritation in Washington at the attempts by Moscow to rescue its former client in Baghdad and rebuild its influence in the Middle East. With US/Soviet relations already strained over arms control and the crackdown in the Baltics, Washington does not want an open split with Moscow on this issue. But yesterday Mr Bush politely, though firmly, pushed the Soviet/Iraqi plan to one side.

The Moscow initiative has, however, forced Mr Bush and his advisers to confront the inherent conflicts between the war aims of the US and its close allies and those of other members of the diverse international coalition ranged against Iraq.

The US dilemma reflects not just its detailed reservations about the terms in the Moscow plan for withdrawal, but also, more fundamentally, the position of a Saddam-led Iraq in a post-war Middle East.

As Democratic Congressman Mr Lee Hamilton, chairman of the House sub-committee on the Middle East, says: "We are poised on the brink of a decisive military victory. You do not want to undercut that with an ambiguous political settlement. That puts the president in a difficult spot."

A plausible case can be made for declaring victory now, provided Iraq leaves Kuwait on acceptable terms. For the first time in the crisis Baghdad has been forced to accept that it will have to withdraw from Kuwait, the main point of the UN resolutions. And, despite predictions of early splits, the international coalition has held together, Israel has been kept out of the war and Mr Bush has retained overwhelming domestic political sup-

port for his handling of the crisis.

Moreover, in just over five weeks of the air campaign, the US and its allies have severely damaged much of the Iraqi military machine, destroying at least two-thirds of its 4,200 main battle tanks and much of its army in southern Iraq and Kuwait. Iraq's nuclear, biological and chemical programmes have also been set back several years. Yet Iraq has not been so weakened as to destabilise it in rela-

Peter Riddell on the US president's tough response to the Soviet-Iraqi peace proposal

Bush regains the initiative



George Bush made plain yesterday that he will not allow Saddam Hussein any easy options



Saddam Hussein

tion to its neighbours, notably Syria and Iran. All this has been achieved with very low US and allied casualties, which would undoubtedly rise sharply if the next military stage of a full-scale ground offensive goes ahead. The problem, however, for Mr Bush is that the initial Soviet/Iraqi plan would have allowed Mr Saddam to return to the position before August 2 without paying any further price. Although his army is already severely battered and his country heavily damaged, the Iraqi leader would be able to claim he had stood up to the US and still with formidable forces, be in a position to menace his neighbours.

Consequently, the US has made a central theme of the military campaign the destruction of Iraqi military capacity, and its weapons of mass destruction. This can be justified as a way of forcing Iraq out of Kuwait

while minimising allied casualties. Mr Bush has at times gone well beyond the UN resolutions - with implicit encouragement from some allies and explicit support from Israel - in calling for the end of Mr Saddam. The US president has urged the Iraqi military and people to oust Mr Saddam.

US officials have repeatedly said that allied aircraft are not targeting the Iraqi leader, nor is his personal war aim as such. Rather, the destruction of Mr Saddam is a highly desirable outcome which would considerably ease post-war discussions.

Many in Washington, not least among Mr Bush's own advisers, are urging Mr Bush to press on, now that an overwhelming military victory is within grasp. Some commanders have been talking confidently of finishing the land campaign within three weeks. This would permit the destruction of the Republican Guard units along the Iraq/Kuwait border, which is an important political as well as military objective since the Guard is the backbone of Mr Saddam's regime.

The risk of a land war is not only that the international coalition will split but that the US and its military allies will face large casualties as a desperate Mr Saddam orders chemical weapons and, possibly, terrorist attacks. The war could turn much nastier for the allies.

Mr Bush yesterday attempted to reconcile these aims by his formula of a worded ultimatum. He insisted that any Iraqi withdrawal must be immediate and unconditional in compliance with all 12 UN resolutions. This is to ensure a speedy withdrawal.

But the US also wants to ensure that Iraq faces up to the terms of other UN resolutions, which the Moscow plan would annul. This relates particularly to resolution 674 making Iraq liable for damages to foreign property resulting from the invasion. The US will also seek to maintain economic sanctions until these issues, the position of prisoners of war and war crimes are resolved. Moreover, the US and its allies want an arms embargo against Iraq. The White House said specifically yesterday that if sanctions were lifted Mr Saddam could simply revert to using his oil revenues to rearm.

If Iraq agrees to start withdrawing later today, the US believes its strict terms will ensure that Mr Saddam is humiliated. His power will be contained even if he survives - still a second best solution for Israel and many of Iraq's Arab neighbours.

But if Iraq does not meet today's deadline, Mr Saddam faces the explicit threat of an early start to the ground campaign. The Gulf war is approaching its climax.

It may be, however, that the worst error of misunderstanding has been committed by Mr Saddam. He could not have anticipated the huge damage done to Iraq's infrastructure or to his armed forces and, as a result, just how little he would be left to bargain with. It may be inconceivable to Saddam that he could be faced with yesterday's ultimatum, which, in his eyes, involves total humiliation.

If that is how Saddam sees it, then the blazing oil facilities of Kuwait last night were not the start of a brutal war of attrition. Politics for Mr Saddam are only about survival. He will use whatever methods are available. But he can still do a deal, even after a land war is under way.

It is also probable that Mr Saddam is far more confident that anyone in the west would believe about his ability to hold on to power. He still has substantial armed forces close to Baghdad and, once the land war starts, the tribe, especially from his home region of Takrit, will gather more tightly around him. Liberating Iraq will take much longer than freeing Kuwait.

The many faces of Saddam

Politics means survival to Iraq's leader, says Roger Matthews

The difficulty of dealing with President Saddam Hussein, as Mr George Bush has discovered, is that the Iraqi leader operates at different levels, addresses different constituencies and has objectives that are difficult for the western mind to discern.

If it comes to a land war, Mr Saddam can assure his removal from power by using chemical and other unconventional weapons. He has done it before. If he does it again then there can be no doubt that the allies would extend the war aims beyond the limits of the UN resolutions and go for his head. International opinion, otherwise properly nervous about such an explicit extension to include the toppling of the Iraqi president, could not come to his defence.

But the main responsibility lies, as it has always been, with Mr Saddam to stop it coming to this. After so much prevarication, this final ultimatum will perhaps serve to focus his mind.

Mr Saddam was at it again on Thursday, only this time he reversed the process. First, he applied the douche of cold water, then he provided the optimism. His rhetorical, threatening, uncompromising speech on Baghdad Radio was immediately interpreted in the Pentagon and elsewhere around the world as political suicide.

A few hours later with the land war apparently imminent, Mr Tariq

Aziz, Saddam's foreign minister, popped up in Moscow with a fresh offer of unconditional withdrawal from Kuwait, hedged around with fewer conditions. As the plan appeared to have the blessing of the Soviet Union and did not include some of Iraq's more extreme earlier demands, the White House was initially cautious in its response.

In his own perverse way, Mr Saddam may still be on the path he set himself, although there is increasing evidence that he underestimated both the extent and impact of allied bombing and may, after Mr Bush's ultimatum yesterday, have misjudged the US president.

Mr Saddam has to portray at least two faces. Within Iraq, on Baghdad Radio, and in the Arab world, he has to be the fearless leader, taunting the infidels into crushing defeat.

To the Soviet Union and parts of the developing world, he appears more conciliatory: the Third World leader bullied by colonialists and seeking a fair compromise to contentious issues while bravely defending the integrity of his nation.

Other politicians, especially in the Middle East, understand the procedures and learn how to time their interpretation according to circumstances. For example, on Thursday, Saddam's speech was seen in the west as belligerent, but in Baghdad as a precursor to a new peace offer.

But Baghdad does not always get it right. A week previously, hundreds of people had rushed on to the streets to celebrate the approaching end of the war, only to find, like Mr Bush, that they have been hoodwinked. But that, too, can be the classic ploy of

the dictator seeking to identify the weak links in the chain of loyalty.

And that is the dilemma for everyone, including the Iraqi people: trying to understand what it is that Mr Saddam wants and how far he will go to achieve it. It is possible, he concluded last August that his elevation to heroic status in the Arab world was to be achieved by drawing the Americans into a confrontation and by inflicting on them politically unacceptable casualties, then he may think he is on schedule.

He has won limited support among Arabs, Moslems and especially those who are, for whatever reason, instinctively anti-American. If, as is also possible, the allied armies march into Iraqi territory, then he will additionally be able to present his war as one of national salvation and garner further support.

MAN IN THE NEWS

Nico Ladenis

The cook, the client and the Takeover Panel

By Nicholas Lander



obvious skills he has also posed as a lone non-French rival to a circle otherwise dominated by the Roux brothers and their acolytes. But he has also annoyed and upset many, if not more, by refusing to put salt and pepper on the table and by attacking the "glit and tonic brigade". He has paid a high financial price for these "principles", as it was his alienation of many actual and potential customers, which forced the sale of the third restaurant in Shiffield, Berks, at a considerable loss.

Arrogance may also be key to this latest episode. By virtue of his talent Ladenis has not wanted for professional advice - in his early ventures, the solicitor Sir David Napley was an adviser and admirer. So, too, was the shareholder who took Ladenis to the Takeover Panel, and will be taking him to court again next month - Colin Lever is a senior partner in Bacon Woodrow, the UK's largest firm of actuaries. Charactistically, Ladenis chose to ignore outsiders, and with his wife Dinah-Jane

decided to take the company private last June. Ladenis has managed to put rest to the hypothesis that to be a great chef you have to love your customers or even your shareholders. But his accounts over the past five years have also laid to rest the myth that a high-priced restaurant, even with free-spending customers, is a potential gold mine. In this Ladenis is not unique.

Six months before Ladenis's BES matured, Raymond Blanc, possibly the one chef in England to rival Ladenis for originality, but one blessed with lashings of Gallic charm, faced the same problems at his restaurant, Le Manoir aux Quat' Saisons, outside Oxford. Blanc's company never paid a dividend during its first five years; an original investment of £100 in the restaurant had only doubled in value five years later, although the tax allowances boosted this return. A similar amount invested in the all-share index would have made £332.27p.

What both these illustrious

restaurant stories highlight is an undisputed fact of the restaurant life today; that the profits generated are in inverse proportion to the quality of the food served. Ladenis himself has continually lamented his small returns for dishes made individually and from basics, however expensive, while only 300 yards away on Oxford Street, Burger King fuels thousands each day on items much less inspirational.

While the 1980s saw a sharp growth in British demand for better food, the second half of the decade conspired to make profits elusive. Rising rents, inflation, and considerable competition for a shrinking pool of skilled labour added to the fragility of the ingredients involved. It is not surprising that one of the longest success stories of culinary London - Albert and Michel Roux - should have its origins not in the last decade but in the less costly 1970s.

Nor has the BES system proved to be a panacea for restaurant funding. Its biggest fault is that its life-span of five

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UK COMPANY NEWS

GrandMet and Foster's reach pub-swap agreement

By Philip Rawstorne

GRAND Metropolitan, the food, drinks and retailing group, yesterday announced that it had reached agreement with Foster's Brewing of Australia on revisions to the breweries-for-pubs swap with its UK subsidiary, Courage.

The value of the deal, estimated at £2.5bn when first proposed nearly a year ago, has been reduced to £2.35bn by the slide since then in the property market.

But it is by far the most substantial response yet to the efforts of the Monopolies and Mergers Commission to inject more competition into the industry and it will have a wide-reaching impact.

The revised agreement published yesterday reflects the Office of Fair Trading's moves to shorten the periods of Courage's exclusive beer supply contracts with GrandMet's managed pubs and the jointly-owned Entrepreneur estate in which GrandMet will merge the rest of its pubs with those

of Courage.

GrandMet will sell its UK brewing business - four breweries with such beer brands as Webster's and Ruddles - to Courage for £316m but will repay £55m when the four-year supply contract to GrandMet's 1,540 managed pubs expires.

Courage will supply the Entrepreneur pubs exclusively for seven years. This estate will initially comprise the remainder of the partners' 5,450 leased pubs but more than 1,100 of them will be sold within the next two years. GrandMet will manage the estate.

Completion of the deal for which bank loans of £1.46m are being arranged by Barclays, Citicorp, NatWest and SG Warburg, is expected next month.

GrandMet will receive some £500m cash from the sale of its breweries and the formation of the Entrepreneur estate. This will reduce the group's gearing by 16 per cent to around 70 per cent. Sir Allen Sheppard,

GrandMet chairman and chief executive, said last night: "This important transaction enables us to apply our property management skills to an enlarged pub estate and to enhance the strength of our UK retailing activities."

The group's brewing operations contributed only 5 per cent of trading profits last year and had limited prospects for international development. But with their acquisition, Courage will become the second largest UK brewer with an initial market share of around 20 per cent and poised to mount a challenge to Bass, the industry leader.

Apart from its ale brands, GrandMet intends to transfer to Courage its licences to brew Carlsberg, Holsten and Budweiser lagers in the UK if their owners consent.

But they may prefer to seek other arrangements because of conflicts of interest with Courage's Foster's and Miller's lagers.

Austrians seek large holding in Telfos but no bid planned

By Andrew Bolger

THE AUSTRIAN engineering group Jenbacher Werke said last night it wished to take a significant stake in Telfos Holdings, the UK engineering group which recently narrowly escaped being taken over.

William Cook, the UK steel castings group, withdrew a £30m offer for Telfos earlier this month.

Telfos shares had collapsed after its auditors presented a damning draft report on its financial status.

Jenbacher said last night that after talks with Telfos it had decided that the Austrian group should support Telfos by a cash subscription of an undisclosed amount for new shares in the UK group which

would leave Jenbacher owning up to 29.2 per cent of Telfos's enlarged capital.

The Austrian group said it did not at present intend to make a full takeover bid for Telfos, although in the event of a third party making such a bid, it reserved the right to do so.

It said its proposal was subject to further negotiation with Telfos and the provision of audited accounts by the UK group for the year 1990.

Jenbacher said that following the losses incurred by Telfos on its non-core activities, it believed the UK group had been denied the financial resources to develop satisfactorily its core business of making

railway rolling stock. As a result of the proposed cash subscription, Telfos would receive sufficient funds to achieve its expansion plans and would be in a position to continue as an independent UK company.

Jenbacher would seek minority representation on the Telfos board and would also offer management support for Telfos's operations in Austria and Hungary. It felt such an association could represent a powerful new force in the European railway industry.

The Jenbacher announcement emerged after Telfos's shares had closed down 3p at 85p, giving the UK group a market value of £27m.

Lending on bricks and mortar appears to be safe as houses

David Barchard reports on the success of the building societies in a depressed housing finance market

M R Andrew Longhurst, chief executive of Cheltenham & Gloucester Building Society, might be forgiven for being in an unusually sunny mood this week as he announced his society's 1990 results.

The housing finance market may have been in the dumps for many months but the building society industry, as typified by C&G, has rarely looked healthier.

In contrast, yesterday's takeover of Leamington Spa lumped that unfortunate building society in the company of other types of retail financial institutions, such as Lloyds Bank, the balance sheets of which have been scarred by record provisions.

At C&G, except for the occasional blot on its record such as a £750,000 loss on estate agency operations, the news all seems good.

Total assets improved by 5.8 per cent from £7.27bn in 1989 to £11.57bn last year. The society now has a 3 per cent share of all UK mortgage lending. Most satisfying of all, C&G has enjoyed a seemingly irresistible rise in the building society league table over the last three years, pushing its way from number ten to number six.

While Mr Longhurst was enjoying his hour of triumph in London on Thursday, a mile

away at the Building Societies Commission, the industry watch-dog, the finishing touches were being put to a heads of agreement by the five largest building societies for standby liquidity support for Leamington Spa, the 20th largest society by assets.

Though Mr Cameron Scott, the newly appointed chief executive of Leamington Spa, strongly denies that a rescue is involved, his society is folding its tents after a life of 153 years and will shortly disappear in a merger with Bradford & Bingley.

But Leamington Spa's misfortunes are not typical of the industry. Mr Longhurst and the soaring fortunes of C&G are probably somewhat more representative. Its success rests on a dynamic but sturdy combination of management strategies, the key features of which appear to be:

Rigid control of costs.

C&G's ratio for management expenses to total assets was already the lowest of any large society at 30 per cent in 1989 and fell again last year.

The development of new products inside the society's areas of specialist advantage such as postal savings accounts rather than unfamiliar innovations.

Extreme caution on lending and attention to keeping possi-

ble losses well insured.

Leamington Spa by contrast is expected to go down in building society history as one of the few very few societies ever to record a loss, likely to be £2m after making provisions of £21m. This week no one in the building society industry was able to recall just when a society last went into the red.

Leamington Spa's misfortunes are the more striking because other societies reporting their results so far have enjoyed a strong upturn in their profits.

Leeds Permanent, the fifth largest society, reported a 23 per cent profit jump, though its results may not be strictly comparable as its financial

year ends well insured.

Northern Rock, the 13th largest society, also pushed up its profits by 23 per cent in the year ending in December, while the smaller Cheshire Building Society was up 22 per cent.

Not all societies will show such resilience. Many have been concentrating less on profits growth than on building up market share and trying to squeeze other competitors out of the housing finance market.

To some extent the strategy has been successful. About two dozen small newer mortgage lenders, mostly foreign banks, quietly put their mortgage portfolios on the market in the

second half of 1990.

Halifax, the industry giant, has pushed its share of the UK mortgage market up to 20 per cent and claims to have 45 per cent share of the first-time buyer market at the moment. Despite the push for market share its 1990 profits are expected by analysts still to be more than 5 per cent above 1989 levels when they are announced next month.

Leamington Spa is not alone in having had to make provisions against losses. All societies including the industry's stars such as C&G are having to do it. During 1990 C&G incurred direct losses from arrears and repossessions of £1.3m and was forced to make further provisions of £15.5m.

Its total charge to accounts included £7.7m from weaker societies which it had dropped up, sometimes in shotgun marriages arranged, like the Bradford & Bingley/Leamington Spa merger, at the behest of the Building Societies Commission.

But in a depressed market, building societies are at an advantage.

Building societies are less vulnerable to the downturn in the economy than the banks because we are not exposed to anything like the same degree to the corporate sector," says Mr Tim Melville-Ross,

chief executive of Nationwide, the second largest society. Last year however, the housing market and losses on commercial property forced it to put aside £25m.

Mr Melville-Ross points out that this figure is relatively modest compared with mortgage assets of £220m.

Two large societies, Alliance & Leicester and National & Provincial, are believed to be preparing provisions, possibly as large as £24m and £30m, partly resulting from commercial property lending.

Even so, the experience of N&P and Alliance & Leicester suggests that building societies can afford to take serious hits on new business arrears, provided that their mainstream mortgage business is being properly managed.

The real threat to building societies comes from pressure on their margins. In fighting for market share over the last three years, the societies have seen its judgement vindicated on how far to allow margins to be squeezed.

Five years ago, building societies appeared to be dinosaurs, heading for extinction in a hostile market environment. Now societies like Halifax and C&G look well placed to take advantage of the transformed retail banking markets of the middle and later 1990s.

NEWS DIGEST

Shepherd Neame buys Bass pubs

BASS, the UK's leading brewer, yesterday sold 10 pubs for £2.25m to Shepherd Neame, the independent Kent brewer, to bring the total of pubs it has sold since July 1989 to more than 250.

In the current year, the sale of 111 pubs for a total £21.3m has been either completed or contracted. Most sales have been to individual tenants.

Bass, which has to sell or lease 2,680 pubs from its estate of 7,200 by November next year to comply with government orders to free them from exclusive beer supplies, has agreed terms on a further 400 pubs, mainly with sitting tenants.

The pubs sold yesterday - seven in Kent and three in Sussex - bring Shepherd Neame's estate in the south east of England to 306.

Last July it bought 33 pubs from Ind Coope, an Allied-Lyons subsidiary, for £5.85m respectively for 1989.

Increased profitability on lower turnover reflected the company's strategy of concentrating resources on high quality financial marketing contracts.

Earnings emerged at 2.31p (2.56p) and a proposed final

dividend of 1p makes a 1.25p (1p) total. A bonus issue of warrants is also proposed on the basis of one warrant for every five ordinary shares held. The warrants will confer the right to subscribe for ordinary shares at 30p each on April 30 in any of the years 1992 to 2000.

Casket's Comfy sale raises £1.93m

Casket has completed its withdrawal from the household textile market with the £1.93m sale of Comfy Quilts and Textiles. The proceeds will be used to cut borrowings.

Comfy reported an operating loss of £704,000 on turnover of £5.75m in the nine months to December 31. At the end of the period, the book value of the assets being sold was £4.97m.

In the six months to the end of September 1990 the company showed pre-tax profits of £27,000.

MMI improves to £317,000

MMI, the financial marketing company traded on the USM, returned profits of £316,845 pre-tax from a turnover of £1.45m for the 1990 year. The figures compare with £300,604 and £25.85m respectively for 1989.

Net asset value falls at IT of Guernsey

Richmond Oil & Gas has acquired Lone Star Royalty Corporation of Texas, for 600,000 Richmond ordinary shares.

In the period to March 31 1990 Lone Star owned small mineral and royalty interests

in about 346 wells in Texas with revenues of about \$15,000 (£7,600) a month. It has a data base relating to some 100,000 mineral and royalty owners and 7,500 properties.

For the nine months to December 1990 Lone Star's gross income was \$217,462 and it made royalty acquisitions of \$370,000 which will provide additional gross royalties of about \$125,000 a year.

F&C Enterprise net asset value lower

F&C Enterprise Trust had a net asset value of 43.9p at December 31 against 45.3p at December 31, 1989 and 48.6p at end-June 1990.

Net revenue for the year improved from £151,000 to £178,000 for earnings per share ahead to 0.21p (0.17p). A single final dividend of 0.2p (0.16p) is recommended.

Net asset value falls at IT of Guernsey

Net asset value per share of the Investment Trust of Guernsey stood at 51.3p at end-December 1990 compared with 61.3p a year earlier.

A final dividend of 1.65p (1.5p) is recommended for a 2.35p gross total (2.125p). Earnings per share improved from 1.72p to 1.94p.



Aldo Rizzo

Lloyds Bank £591m back in the black

By David Lascelles, Banking Editor

LLOYDS BANK'S 1990 pre-tax profit of £591m marked a return from a loss of £715m in 1989 when the result was hit by Third World debt provisions.

Profit after tax and minorities amounted to £118m gain on the sale of subsidiaries, mainly the Yorkshire Bank, put the profit attributable to shareholders at £10m (loss of £88m), equivalent to 2.5p (losses 4.5p).

A final dividend of 10.5p raises the total by 15 per cent to 15.5p with a cover of 1.5.

Sir Jeremy Morse, chairman, said profits did not recover as strongly as hoped in 1990. Trading conditions were worse than expected, particularly in the UK, and were not likely to improve greatly this year. But he said the group was continuing to invest for the future, and its underlying strength justified the dividend increase.

The main drag on earnings was a more than doubling of provisions (excluding Third World) from £245m in 1989 to £789m mainly because of the impact of recession

in the UK. The group also wrote down the value of its UK properties by £208m to reflect the slump in property values. However, this was partially offset by a £125m currency gain from existing provisions on Third World debt.

Heavy provisions and a loss on credit card operations meant that UK retail banking's contribution was only £16m, down from £25m in the year before. Corporate banking and treasury made a loss of £38m (from a profit of £125m), partly because of a sharp reduction in foreign exchange trading income due to slack markets.

Private banking and financial services earned £257m (up from £238m). International banking recovered from a loss of £17m to a profit of £14m. Lloyds Merchant Bank earned £10m (£13m). However, the major overall contributor was Lloyds Abbey Life, the 60 per cent-owned financial services arm, where profits increased from £224m to £215m.

The group's operating expenses rose five per cent, but staff are being reduced to cut costs. Mr Brian Pitman, the chief executive

said the bank had shed 4,000 jobs last year and a further 1,000 in the first two months of this year.

He said that a major development last year was the reduction of competition in the banking markets, partly due to the withdrawal of Japanese and American banks. This had enabled the bank to record its first widening of margins for several years. The group's net interest margin increased from 4.06 per cent to 4.29 per cent, with much of the gain coming in the second half of the year.

Mr Pitman saw fundamental improvements in banking as lending capacity shrank but demand for finance continued to rise. He also said Lloyds had benefited from a flight to quality in cheap deposits.

The group's total risk asset ratio, the key measure of strength, was 8.5 per cent - slightly above the internationally agreed minimum. Sir Jeremy said this was lower than Lloyds would wish. But the group was fundamentally sound.

Linread 37% lower after stock provisions and errors

By Paul Cheeseright, Midlands Correspondent

LINREAD, the Birmingham-based precision components and fasteners manufacturer, in an early announcement of its annual figures, yesterday said that a shortfall in the value of its stocks and an increased

FOREIGN EXCHANGES

Dollar up on peace hopes

THE DOLLAR gained ground on hopes that the Gulf war may be over. It broke through technical resistance at DM1.5005 and at DM1.5020 after US President George Bush issued an ultimatum that Iraq must start withdrawing troops from Kuwait today, or face the unspecified consequences.

President Bush accused Iraqi President Saddam Hussein of following a "scorched earth" policy by setting fire to oil installations in Kuwait. This supported the view that the Iraqi forces are destroying Kuwaiti assets in preparation for a withdrawal. It followed the overnight news from Moscow that Iraq had agreed to President Mikhail Gorbachev's package for a peaceful solution to the Gulf crisis.

A any settlement of the conflict and a scaling down of the US military presence is regarded as positive for the dollar, on hopes that it will result in an earlier end to the

US recession, but dealers warned that the situation was volatile and the dollar could retreat quickly if Iraq does not meet its ultimatum.

At the London close the dollar had climbed to DM1.5040 from DM1.4965 to Y132.25 from Y131.85, to SF1.2895 from SF1.2740; and to FF1.1715 from FF1.0700. The Bank of England figures the dollar's index rose to 144.4.

Sterling lost ground to the dollar while strengthening within the European Monetary System. The pound drifted lower against the US currency, in line with its fall in the EMS exchange rate mechanism, but improved against the D-Mark at its highest level since January 21, the day before the German Bundesbank raised official interest rates.

There was continued speculation that UK bank rates would be cut in the near future, despite a fall in the Bank of England's full-year inflation forecast to 4.5 per cent. This personal view of the market's full-year management is not being taken.

Forbes magazine's magazine's Prince of the year, the memory of the prince's American bank for a construction project, agreed to put up the £100m of Citicorp.

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US military presence is

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E IN NEW YORK

Feb 22	Latest	Previous Close
1.0450-1.0460	1.0454-1.0475	1.0454-1.0475
1.21-1.2095	1.20-1.2095	1.20-1.2095
2.01-2.0100	2.00-2.0100	2.00-2.0100
3.00-3.0000	2.99-3.0000	2.99-3.0000

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Feb 22	Latest	Previous Close
94.0	94.2	94.2
10.0	94.3	94.3
12.0	94.4	94.4
14.0	94.4	94.4
2.00	94.4	94.4
3.00	94.4	94.4
4.00	94.4	94.4

CURRENCY RATES

Feb 22	Rate %	Special 1	European 1	Canadian 1	US 1	Swiss 1	Yen 1	Other 1	Other 2	Other 3	Other 4	Other 5	Other 6	Other 7	Other 8	Other 9	Other 10	Other 11	Other 12
1.0450-1.0460	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475	1.0454-1.0475
1.21-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095	1.20-1.2095
2.01-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100	2.00-2.0100
3.00-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000	2.99-3.0000

COMMERCIAL RATES

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3.00	94.4	94.4
4.00	94.4	94.4

COMMERCIAL RATES

Feb 22	Latest	Previous Close
94.0	94.2	94.2
10.0	94.3	94.3
12.0	94.4	94.4
14.0	94.4	94.4
2.00	94.4	94.4
3.00</		

LONDON STOCK EXCHANGE: Dealings

Details of business shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Information Services.

Unless otherwise prices in the prices are those at the time of the transaction, were done in the 24 hours up to 5pm on Thursday and settled through the Stock Exchange Taliham system, they are not in order of but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which business is recorded in Thursday's list the relevant date is the day given in the relevant date.

Not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

+ Bargains at special prices. ■ Bargains done the previous day.

British Funds, etc

No. of bargains included 2279

Commer. Inv. Fund 100% Ls 2000 - 100% (1991)

882815 Inv. Fund 43% Ls 2000 - 100% (1991)

100% Inv. Fund 100% Ls 2000 - 100% (1991)

Exchequer 100% Ls 2005 - 100% (1991)

Guaranteed Export Finance Corp PLC 12% Ls 2000 - 2002 (Reg)

Corporation County Stocks No. of bargains included 13

London County 23% Cons Ls 1920/20 - 100% (1991)

Greater London Council 5% Ls 90/92 - 100% (1991)

Birmingham Council 11% Cons Ls 1992 - 100% (1991)

Leeds City 12% Ls 1992 - 100% (1991)

London 10% Ls 1992 - 100% (1991)

Reading 33% Ls 1992 - 100% (1991)

UK Public Boards No. of bargains included 2658

Agricultural Mortgage Corp PLC 5% Deb 5% Ls 1992 - 100% (1991)

6% Deb Ls 92/94 - 100% (1991)

7% Deb Ls 92/94 - 100% (1991)

Metropolitan Water Stands Res. Joint Inv. Fund 100% Ls 1992 - 100% (1991)

Scottish Agric. Soc Corp 5% Deb Ls 1993 - 100% (1991)

Foreign Stocks, Bonds, etc (coupons payable in London) No. of bargains included 1074

100% Inv. Fund 100% - 100% (1991)

Abov. National PLC 100% Ls 1995 - 100% (1991)

100% Inv. Fund 100% Ls 2002 - 100% (1991)

Associated Newspapers Holdings Ltd 6% Exch. Inv. Fund 100% Ls 1992 - 100% (1991)

Exchequer Inv. Fund 100% Ls 1992 - 100% (1991)

Blue Circle Capital 10% Ls 2000/2000 - 100% (1991)

Capita Inv. Fund 100% Ls 2000/2000 - 100% (1991)

British Finance Ltd 6% Cum Inv. Fund 100% - 100% (1991)

British Airways PLC 9% Ls 1997 - 100% (1991)

British Gas 10% Ls 1995 - 100% (1991)

British Gas 10% Ls 1995 - 100% (1991)

British Telecom Finance Inv. Fund 100% Ls 1992 - 100% (1991)

British Telecommunications PLC 10% Ls 1992 - 100% (1991)

British Telecommunications PLC 10% Ls 1992 - 100% (1991)

British Telecommunications PLC 10% Ls 1992 - 100% (1991)

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British Telecommunications PLC 10% Ls 1992 - 100% (1991)

British Telecommunications PLC 10% Ls 1992 -

LONDON STOCK EXCHANGE

Uncertain end to the trading account

London stocks marked time yesterday as a busy account came to a relatively quiet end. The mood was one of uncertainty as the company results season, regarded with apprehension by the market, got under way.

A good early performance from Wall Street failed to compensate for weak financial and utility stocks in the UK market. The government confirmed its 175p a share price for the flotation of the electricity generating companies, equivalent to 12.5 per cent yield. Quoted electricity and water companies floated last year at higher yields and yesterday they were into profit-taking.

Figures from Lloyds Bank, and particularly the company's gloomy prognosis on current trading, cast a shadow over

many financial stocks. The week sees full-year figures from nine Footsie constituent companies. Even the most bullish fund managers are likely to hesitate before committing new cash to the market until a clearer picture is seen of company results and whether membership of the ERM will delay economic recovery.

Mr Bill Smith at BZW said the market would transform attention from the market as a whole, which has been looking cheap on historical and prospective earnings, to individual compa-

nies. Responding to Treasury figures that suggest government borrowing is more sensitive than previously thought to recession, he also predicted a surprisingly more than doubled his estimate for the PSBR in 1991-2 to £5.6bn.

But short term doubts over equities did not inhibit longer term bulls of the economy. Mr Paul Walker at James Cossar said US stocks were more than 20 per cent above their 1989 levels, and more than their UK counterparts. This reflected, he said, Wall Street's trust in the recovery in earnings and UK institutions' pessimism about company results and whether

membership of the ERM will delay economic recovery.

Other trends, however, especially rising domestic and disposable incomes, link between

GrandMet AGM concern

GrandMet weakened ahead of its annual meeting with broker and its profits forecast. In the upper hand, it fell 23 points, eventually settling 7 lower at 705p. Tuesday's annual meeting was eagerly awaited and there were expectations in the market of a down-

ward ratio. The 3.5 per cent internationally said this was wish. But the UK retail optical division was slowing. But Mr Hawkins said £1bn profit this year was still possible.

GrandMet's agreement with Foster's Brewing Group, announced last week, the market closed, was welcomed by analysts. The £600m net cash figure from the deal was at the end of expectations.

Lloyds lower

The banks' reporting season began with an erratic performance by Lloyds' share price after an early bout of enthusiasm on initial readings of the figures gave way to an abrupt change of view.

The descending gloom surrounding the results and the accompanying sombre appraisal of current year trading given by Sir Jeremy Morse, Lloyds' chairman, unsettled the rest of the bank stocks. Most analysts moved quickly to start reducing their profits and dividend estimates for other banks.

Lloyds initially pushed up to 385p as analysts pinpointed the 15 per cent rise in the dividend, well up to expectations. But closer perusal of the profit numbers and the extent of the bad debt provision, saw the share driven down hard and finally a net 10 off at 320p, after 319p. Turnover reached 5.8m.

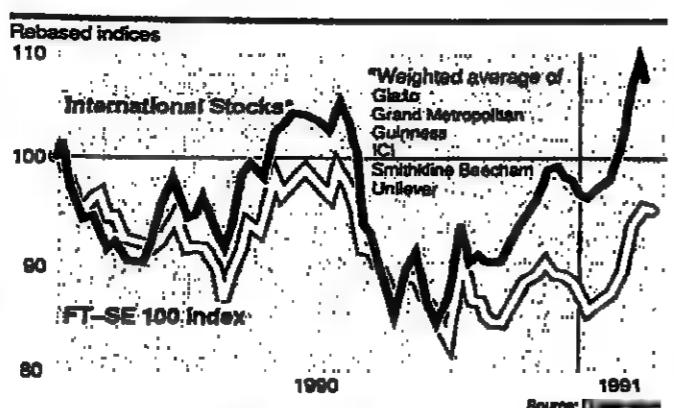
Mr Robert Law of Shearson Lehman said the market was "shaken by the extent of the dramatic deterioration in bad debts," and said he now expected similar things from the other banks. "What makes it worse is that these figures include the first six months period of last year when the UK economy was in reasonably good shape compared with now," he added. Mr Law expected Lloyds' dividend increase

Account Deciding Dates
First Deciding: Feb 11 Feb 25 Mar 11
Option Exercised: Feb 21 Mar 7 Mar 27
Last Deciding: Feb 22 Mar 8 Mar 28
Account Day: Mar 4 Mar 18 Apr 8
Trading decisions may take place from 8.30 am five business days earlier.

many financial stocks. The week sees full-year figures from nine Footsie constituent companies. Even the most bullish fund managers are likely to hesitate before committing new cash to the market until a clearer picture is seen of company results and whether

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Other trends, however, especially rising domestic and disposable incomes, link between



The institutional rush on international blue chips was a half this week. The desire to minimise risk in a rising market, was clear from mid-Autumn. By the time the wider market joined in the rally, Glaxo and Grand Metropolitan were nudging record highs and repeatedly broke new ground for several weeks as profit-takers moved in on Wednesday.

"to be the last of the banks,"

At Daiwa, the Japanese investment house, Mr Mike Fesseyer maintained that "Lloyds' long-term strength in financial services should give it greater profitability than its competitors."

NatWest due to report on Tuesday, 11 am, on its 1990 results while Barclays dropped 10 on 8.1m, Midland, which reports on March 5, fell away to 11 but rallied to unchanged at 175p.

Chartered, which announces figures on March 15 and is widely believed to be the most vulnerable of the big banks to a dividend cut, lost 11 to 275p.

Eastern and East Midland proved especially vulnerable, the latter closing 2 easier at 180p on 2.8m and the former 3% at 165p on 3m. Several big lines of stock in issues were comfortably placed, according to dealers.

Water issues suffered more a struggle, restrained, according to analysts, by the 47 to 62 per cent yields available. Thames lost 5 to 239p and Anglian 5 to 257p. The Water Package closed 38 off at 224p.

The second-line oils tended to outshine their larger brethren, which tended to be restrained by further weakness in crude oil prices. Century Oils, where German

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (50) CORPORATION LOANS (8) Leads 131p to 200, Manchester 11½% pc 2007, AMERICANS (20) Gilts, MORRIS 10% EASY 10% 1991, 10% 1992, 10% 1993, 10% 1994, 10% 1995, 10% 1996, 10% 1997, 10% 1998, 10% 1999, 10% 2000, 10% 2001, 10% 2002, 10% 2003, 10% 2004, 10% 2005, 10% 2006, 10% 2007, 10% 2008, 10% 2009, 10% 2010, 10% 2011, 10% 2012, 10% 2013, 10% 2014, 10% 2015, 10% 2016, 10% 2017, 10% 2018, 10% 2019, 10% 2020, 10% 2021, 10% 2022, 10% 2023, 10% 2024, 10% 2025, 10% 2026, 10% 2027, 10% 2028, 10% 2029, 10% 2030, 10% 2031, 10% 2032, 10% 2033, 10% 2034, 10% 2035, 10% 2036, 10% 2037, 10% 2038, 10% 2039, 10% 2040, 10% 2041, 10% 2042, 10% 2043, 10% 2044, 10% 2045, 10% 2046, 10% 2047, 10% 2048, 10% 2049, 10% 2050, 10% 2051, 10% 2052, 10% 2053, 10% 2054, 10% 2055, 10% 2056, 10% 2057, 10% 2058, 10% 2059, 10% 2060, 10% 2061, 10% 2062, 10% 2063, 10% 2064, 10% 2065, 10% 2066, 10% 2067, 10% 2068, 10% 2069, 10% 2070, 10% 2071, 10% 2072, 10% 2073, 10% 2074, 10% 2075, 10% 2076, 10% 2077, 10% 2078, 10% 2079, 10% 2080, 10% 2081, 10% 2082, 10% 2083, 10% 2084, 10% 2085, 10% 2086, 10% 2087, 10% 2088, 10% 2089, 10% 2090, 10% 2091, 10% 2092, 10% 2093, 10% 2094, 10% 2095, 10% 2096, 10% 2097, 10% 2098, 10% 2099, 10% 2000, 10% 2001, 10% 2002, 10% 2003, 10% 2004, 10% 2005, 10% 2006, 10% 2007, 10% 2008, 10% 2009, 10% 2010, 10% 2011, 10% 2012, 10% 2013, 10% 2014, 10% 2015, 10% 2016, 10% 2017, 10% 2018, 10% 2019, 10% 2020, 10% 2021, 10% 2022, 10% 2023, 10% 2024, 10% 2025, 10% 2026, 10% 2027, 10% 2028, 10% 2029, 10% 2030, 10% 2031, 10% 2032, 10% 2033, 10% 2034, 10% 2035, 10% 2036, 10% 2037, 10% 2038, 10% 2039, 10% 2040, 10% 2041, 10% 2042, 10% 2043, 10% 2044, 10% 2045, 10% 2046, 10% 2047, 10% 2048, 10% 2049, 10% 2050, 10% 2051, 10% 2052, 10% 2053, 10% 2054, 10% 2055, 10% 2056, 10% 2057, 10% 2058, 10% 2059, 10% 2060, 10% 2061, 10% 2062, 10% 2063, 10% 2064, 10% 2065, 10% 2066, 10% 2067, 10% 2068, 10% 2069, 10% 2070, 10% 2071, 10% 2072, 10% 2073, 10% 2074, 10% 2075, 10% 2076, 10% 2077, 10% 2078, 10% 2079, 10% 2080, 10% 2081, 10% 2082, 10% 2083, 10% 2084, 10% 2085, 10% 2086, 10% 2087, 10% 2088, 10% 2089, 10% 2090, 10% 2091, 10% 2092, 10% 2093, 10% 2094, 10% 2095, 10% 2096, 10% 2097, 10% 2098, 10% 2099, 10% 2000, 10% 2001, 10% 2002, 10% 2003, 10% 2004, 10% 2005, 10% 2006, 10% 2007, 10% 2008, 10% 2009, 10% 2010, 10% 2011, 10% 2012, 10% 2013, 10% 2014, 10% 2015, 10% 2016, 10% 2017, 10% 2018, 10% 2019, 10% 2020, 10% 2021, 10% 2022, 10% 2023, 10% 2024, 10% 2025, 10% 2026, 10% 2027, 10% 2028, 10% 2029, 10% 2030, 10% 2031, 10% 2032, 10% 2033, 10% 2034, 10% 2035, 10% 2036, 10% 2037, 10% 2038, 10% 2039, 10% 2040, 10% 2041, 10% 2042, 10% 2043, 10% 2044, 10% 2045, 10% 2046, 10% 2047, 10% 2048, 10% 2049, 10% 2050, 10% 2051, 10% 2052, 10% 2053, 10% 2054, 10% 2055, 10% 2056, 10% 2057, 10% 2058, 10% 2059, 10% 2060, 10% 2061, 10% 2062, 10% 2063, 10% 2064, 10% 2065, 10% 2066, 10% 2067, 10% 2068, 10% 2069, 10% 2070, 10% 2071, 10% 2072, 10% 2073, 10% 2074, 10% 2075, 10% 2076, 10% 2077, 10% 2078, 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10% 2079, 10% 2080, 10% 2081, 10% 2082, 10% 2083, 10% 2084, 10% 2085, 10% 2086, 10% 2087, 10% 2088, 10% 2089, 10% 2090, 10% 2091, 10% 2092, 10% 2093, 10% 2094, 10% 2095, 10% 2096, 10% 2097, 10% 2098, 10% 2099, 10% 2000, 10% 2001, 10% 2002, 10% 2003, 10% 2004, 10% 2005, 10% 2006, 10% 2007, 10% 2008, 10% 2009, 10% 2010, 10% 2011, 10% 2012, 10% 2013, 10% 2014, 10% 2015, 10% 2016, 10% 2017, 10% 2018, 10% 2019, 10% 2020, 10% 2021, 10% 2022, 10% 2023, 10% 2024, 10% 2025, 10% 2026, 10% 2027, 10% 2028, 10% 2029, 10% 2030, 10% 2031, 10% 2032, 10% 2033, 10% 2034, 10% 2035, 10% 2036, 10% 2037, 10% 2038, 10% 2039, 10% 2040, 10% 2041, 10% 2042, 10% 2043, 10% 2044, 10% 2045, 10% 2046, 10% 2047, 10% 2048, 10% 2049, 10% 2050, 10% 2051, 10% 2052, 10% 2053, 10% 2054, 10% 2055, 10% 2056, 10% 2057, 10% 2058, 10% 2059, 10% 2060, 10% 2061, 10% 2062, 10% 2063, 10% 2064, 10% 2065, 10% 2066, 10% 2067, 10% 2068, 10% 2069, 10% 2070, 10% 2071, 10% 2072, 10% 2073, 10% 2074, 10% 2075, 10% 2076, 10% 2077, 10% 2078, 10% 2079, 10% 2080, 10% 2081, 10% 2082, 10% 2083, 10% 2084, 10% 2085, 10% 2086, 10% 2087, 10% 2088, 10% 2089, 10% 2090, 10% 2091, 10% 2092, 10% 2093, 10% 2094, 10% 2095

FT MANAGED FUNDS SERVICE

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LONDON SHARE SERVICE

BANKS, HP & LEASING

BUILDING, TIMBER, ROADS - Contd

ELECTRICALS - Contd

ENGINEERING - Contd

INDUSTRIALS (Miscel.) - Contd

INDUSTRIALS (Miscel.) - Contd

Symbol	Name	Price	Div	Yield	Wk Chg	Mo Chg	YTD Chg	YTD % Chg	YTD Vol	PE	Price	Div	Yield	Wk Chg	Mo Chg	YTD Chg	YTD % Chg	YTD Vol	PE	Price	Div	Yield	Wk Chg	Mo Chg	YTD Chg	YTD % Chg	YTD Vol	PE						
1990/P1	Heads Ltd	Stock									1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock						
1131	1990/P1	Heads Ltd	Stock								1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock						
303	121642	SAL	140	-1	0.08	1.9	1.1	4.6	53	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
274	172465	Maritime Grp	248	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
92	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
93	431428	Maritime Grp	48	-2	0.05	2.1	1.3	7.2	12	111	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock						
122	143428	Maritime Grp	110	-1	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
123	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
124	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
125	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
126	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
127	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
128	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
129	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
130	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
131	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
132	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
133	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
134	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
135	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
136	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
137	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
138	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
139	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
140	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
141	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
142	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
143	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
144	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
145	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
146	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							
147	181810	Maritime Grp	140	-2	0.05	1.6	1.1	1.8	10	1990/P1	Heads Ltd							1990/P1	Stock							1990/P1	Stock							

Industrial policy document seeks to upgrade technology and training

Labour tax plan to encourage investment

By John Plender

TAX incentives for manufacturing investment and innovation are the main planks of the industrial policy to be unveiled in a pre-election document on Monday.

which will emphasise the importance of manufacturing and the need to upgrade technology in British industry. It includes proposals for education and training, small business.

Noticeably absent from the document are significant elements of public ownership.

The document is expected to include:

- A corporate tax allowance for investment in new technology;
- Tax credits for research and development and the existing 100 per cent allowance;
- A replacement for the small business expansion scheme designed to offer a fiscal incentive to private individuals to invest more in unquoted manufacturing companies.

The proposals follow lengthy negotiations between Mr Gordon Brown, the Labour party's small business spokesman,

other front bench spokesmen and leading industrialists, and the partnership between government and industry. Current Labour thinking shifted from 1980s-style interventionism towards aimed at providing a more accommodating framework for long-term investment in infrastructure and training.

A sympathetic manufacturing is no longer equated with direct grants and subsidies for individual companies - the practice of picking industrial winners - though technological innovation in industry is reminiscent of the first Wilson government.

is also increasingly interested in collaborative research into new industries and green technologies.

Small business is being placed in marketing, and other support for small companies. Other areas of investment in technology and diffusion by bringing together universities, industrialists, financiers and government in "technology trusts".

Labour's plans for replacing the government's youth training scheme are further elaborated and there are new proposals for small companies to pool resources to provide better training.

The document is expected to endorse earlier competition policy proposals to invoke the public interest in relation to mergers. Among the criteria Labour spokesmen have been considering for references to the Monopolies and Mergers Commission are research and development, employment, regional location, export strategy, future investment plans, the environment and financial efficiency, as well as competition.

Such changes, which contrast sharply with the Conservative government's present policy of relying primarily on competition criteria in making references to the MMC, could have a dramatic restraining influence on future



Gordon Brown: partnership with industry

spending, Page 4

Lloyds Bank profits hit by £778m worth of bad debt provisions

By David Lascelles, Banking Editor

LLOYDS BANK opened the clearing banks' results season gloomily yesterday by reporting profits at the lower end of the market's expectations.

Sir Jeremy Morse, Lloyds' chairman, was sombre and doubted that they would improve much during the rest of the year. He tried to cheer shareholders by announcing a 15 per cent increase in the dividend.

Lloyds earned £551m before tax last year, in a result that was by £778m worth of provisions against bad debts in the UK as well as in other countries facing economic difficulties. Lloyds also wrote down the value of its brands and offices by 10 per cent to reflect the decline in the UK property market.

The result included an unexpected £125m profit on provisions which Lloyds made a year earlier against its Third World debt. The strength of sterling against the dollar, in which Third World debt is denominated, brought Lloyds this windfall.

Analysts had been forecasting Lloyds profits in the £550m range, looking for a recovery from the previous year when the bank announced a record £715m of Third World problems.

Yesterday's disappointing results showed that the UK recession is having an even more damaging impact than expected. Sir Jeremy said 1990 failed to generate the hoped-for strong recovery in profits, though Lloyds remained financially sound, and that long-term prospects were good once the economy turned round.

Mr Brian Pitman, the



Sir Jeremy Morse: sees conditions as "sombre" executive, disclosed that Lloyds' cost-saving drive resulted in the elimination of 1,000 jobs last year, and another 1,000 in the first two months of this year.

He said Lloyds had not passed on the full benefits of the half point interest rate cut to its borrowers.

The result was a shadow on the banking market of the UK market. Lloyds' shares fell 10p to 230p. NatWest, in a report on Tuesday, fell 11p to 280p, while Barclays dropped 5p to 385p. Midland, which reported a 5 per cent fall, recovered from the fall to 285p unchanged at 175p. Standard Chartered, which announces its results on March 15, and is believed to be the most vulnerable to a dividend cut, fell 11p to 273p.

Details, Page 2

Building societies agree funds for Leamington Spa

By David Barchard

THE FIVE largest UK building societies have agreed to provide funds to protect the troubled Leamington Spa Building Society from a possible run of withdrawals by its depositors.

Leamington, which specialised in higher risk lending to home owners, disclosed yesterday that it made a net loss of £2m in 1990 after making provisions against bad debts of about £20m.

This is believed to be the first loss for many years by a building society. The large societies and the Building Societies Commission, the industry regulator, appear to have worried about the possible effects of disclosure of the news.

The five societies providing funds are Halifax, Nationwide, Woolwich, Leeds and Permanent.

Shortly before details of the agreement emerged, it was announced that Leamington is to merge with Bradford & Bingley, Leamington Spa, with £1bn, the 20th biggest society, while Bradford & Bingley, with £2bn, is the eighth largest.

Details of the merger are to be put to a special meeting of the society's managers today.

Bush Continued from Page 1

The basic element in the Iraqi plan was Iraqi acceptance of UN resolution which demands withdrawal of troops to positions held on August 1, the day before the invasion of Kuwait.

This would be followed by a 21-day withdrawal period. The 21-day withdrawal period would permit the Iraqis to remove virtually all their heavy armour and sophisticated equipment.

The plan envisages a four-day evacuation of Kuwait and a 72-hour timescale for the release of prisoners of war - compared to 48 hours demanded by President Bush. Furthermore, it envisages third country forces supervising the withdrawal and the Iraqis are reluctant to accept such a demand.

Neither yesterday was talking about reparations or

assistance is expected to be available for some time until the merger with Bradford & Bingley is completed.

Societies were reluctant to give details of the extent to which they have contributed themselves to support Leamington Spa, though it is understood that they have done so in proportion to their size.

The merger is intended to be encouraged by Building Societies Commission, which also held three meetings with the top five building societies in the last three months, making available standby assistance to Leamington Spa.

A formal heads of agreement was signed by the chief executives of the five societies at the society's offices yesterday morning.

However, the societies involved said that they did not believe there any kind of emergency situation was involved.

"If liquidity support is needed, and we don't think it will be, we will supply it on normal commercial terms," the society said. "This is simply the industry closing together to smooth a fellow society through a difficult period."

Bush Continued from Page 1

linkage, with a Middle East conference. Mr Vitaly Ignatenko, the Soviet presidential spokesman, said: "These proposals are now in Baghdad and we hope for a reply from them tonight or tomorrow."

President Bush in the draft of proposals had "reflected in the proposals which we have now made".

The document said all members of the UN Security Council who were due to consider the proposals last night. Mr Ignatenko said that if Iraq accepted these proposals "we can suppose that it wants to avert the ground war".

Military analysts said an orderly Iraqi withdrawal with all their main equipment would take several weeks at least. Iraq is thought to have some 350,000 troops in Kuwait itself and a further 250,000 near its borders, with up to

1,000 heavy guns remaining in the area that damage sustained in allied air and artillery attacks.

President Saddam first indicated his willingness to pull out of Kuwait on Friday.

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So much for the class act of the UK banking sector. If the 1990 second-half performance of Lloyds is followed by the other clearers, bank shares face an uncomfortable week or two. The size of Lloyds' £728m provision against UK lending suggests the market has not been nearly pessimistic enough in estimating the industry's lack of profitability after a normal first half last year.

The 15 per cent full-year dividend increase might be justified by Lloyds' better risk-asset ratios and recent improvements in its lending margins. Judging by the 10 per cent fall in the shares, the market appears to have been more concerned about the bleak message for the underlying economy. Lloyds can point to the accommodation of an unprecedented £208m write-down in its property valuation, which sets a decidedly awkward target for its competitors. Nevertheless, the increased pay-out is only thinly covered by distributable earnings and might quickly look unsatisfactory. The yield

which leaves little room for the initial premiums which proved embarrassing to the government when the regional electricity companies were floated. The bidding by institutions has driven down the notional gross dividend yield to 8.3 per cent. If the market turns strongly between now and March, which leaves little room for the initial premiums which proved embarrassing to the government when the regional electricity companies were floated. The bidding by institutions has driven down the notional gross dividend yield to 8.3 per cent. If the market turns strongly between now and March, which leaves little room for the initial premiums which proved embarrassing to the government when the regional electricity companies were floated. The bidding by institutions has driven down the notional gross dividend yield to 8.3 per cent. 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Weekend FT

SECTION II

Weekend February 23/February 24 1991

The Navy's private press gang

OFFICIALLY, they do not exist. But it is hard to imagine how the British Navy could function without them.

They live, like the bird in back of the hippopotamus, in mutually agreeable symbiosis with their host. The Navy does not employ them, does not pay them, feed them nor accommodate them. They don't wear uniform and are not subject to naval discipline. There is a whole chapter of regulations laying down their rights of service.

They are usually called Unofficials. They live on board the Navy's warships like stowaways, for months at a time. They work round the clock, deep in the bowels of the vessel, in sweltering, cramped compartments with the din of engines constantly in their ears.

Officially, they have nowhere to sleep. Because they do not exist, the naval architects have included no berths for them in the blueprints. So they sleep on the deck, or in bunks unofficially set up. Officially, they are not fed. Unofficially, they barter with the ship's cook for pieces of chicken and bags of rice or vegetables.

They are Her Majesty's laundrymen. They do the boiling and scrubbing, the pressing, ironing and mending.

The Royal Navy is the nerve of the British armed forces.

When you see a warship gliding into port with her white crew stiffly standing along the rail, you will know who is working overtime.

Unofficials go to war, too. Many served in the Korean War, and there are about 80 of them in the Gulf at this moment on board the vessels of the British flotilla. It is they who savour the thrill of war.

On the contrary, stations are sounded they usually prefer to be shut in the laundry until all-clear goes. That does not make them safe, however. Two Chinese laundrymen were killed in the Falklands campaign. Lal Chi Keung, one of 21 killed when Exocet missile struck HMS

early in May, 1982. Kyo Ben among the 24 casualties when the *Cossack* was bombed to the bottom of the sea.

Because they are not in the Navy, Unofficials cannot get official insurance cover for working in a war zone. The Ministry of Defence gives them the chance to leave their ship. Why should they choose to stay? Partly of loyalty but also because - to be honest - when sailors are at war in a sweaty place like the Gulf, business in the laundry room is good. If any of the laundrymen is killed or injured the Navy will probably pay compensation - unofficially, of course.

The MoD (the MoD says it does not know the label) have been working as the Navy's volunteer private gang

since the Second World War. According to a former naval employee in Hong Kong, the most laundrymen came from this early privatising public services started in 1933 in Wei-hai-wei, in mainland China, once a British concession. Others suggest it is much older, going back in days of the China.

The practice spread quickly throughout the British fleet and the numbers have declined only with the remorseless shrinkage of the Navy itself. Today there are estimated to be about 100 laundry "boys" left, eight tailors and two shoemakers.

To say that the Navy does not pay them literally true. But of course they do not spend lifetimes working for nothing. They are on-board, freelance sub-contractors who collect their money directly from the officers and ratings according to what is agreed up by the laundryman, Number One Boy, hotel service: Number One Boy, laundry "boys" hours at their door.

Ratings usually collect. Destroyers and frigates are served by two laundrymen, the biggest ships like the carriers *Ark Royal*, *Invincible* and *Illustrious*, carrying 1,100 men on active service, will have up to ten. Each sailor will spend about £5 a week. It can quickly be seen that the Chinese laundry is a nice business.

Ships' captains, like colonial officers in the heyday of empire, have a special relationship with the Unofficials. They get their washing done free. At Chinese New Year - the Year of the Ram has just begun - there will be a special celebration on board when the captain gives out the traditional little red envelopes containing crisp new banknotes. "Kung hei choy", says the captain, as brandy glasses are raised for the toast. "Happy New Year". It is the only day that the spin-drivers fall silent and the laundrymen go on a binge.

The Navy tries hard to get things right at New Year. The commander of a Leander class frigate, how a cake was commissioned as a surprise for his laundrymen. The chef had carefully picked out in blue icing the four Chinese characters written on the little red envelopes.

The moment arrived and the captain proudly pointed out to Number One Boy the "Kung hei choy", he cried. Number One grinned from ear to ear: "Ah, no sir", he said. "That's Hong Kong Bank".

This benign colonial relationship between British and Chinese, on the bridge and the lower deck is not as simple as it looks. Behind every laundryman stands the powerful figure of the Contractor. Usually he is a laundryman who has won his way up; by now he will be a lifetime.

When a warship comes in the slipway, then the laundrymen roll up their sleeves and show what they are made of. The competition

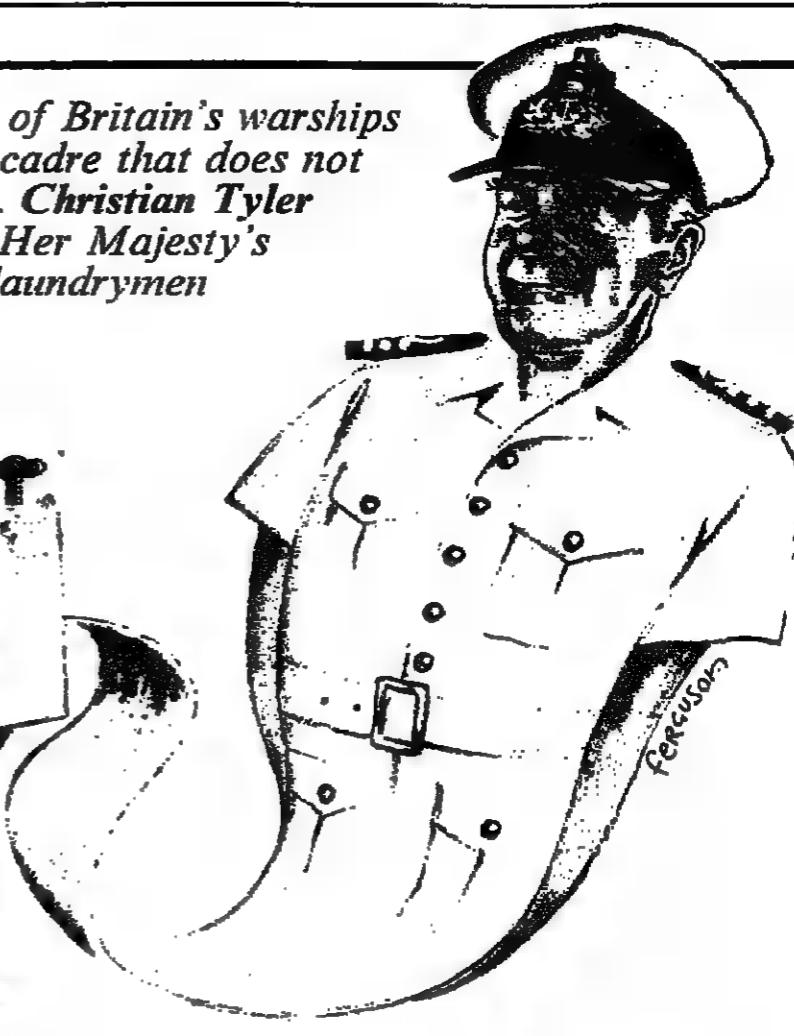
Hong Kong. The contractor is a man of middle-man, supervisor and gentleman's gentleman.

There are 11 contractors for the British Navy, including one widow, Mrs Shao, who organises *Ark Royal*, Harry Yuen has *Illustrious*, K.P. Lau has *Invincible*, Kang Ming has *Brilliant* and Keung Chun Mo has *Fearless*. There is Peter Chong (*Ulysses*), Sung Sun Ching (*Chatham*), Kiang King Bun (*Battleaxe*), Chik Shun Chin (*Jupiter*) and Mrs Leung Sik Mui (*Hercules*). The smaller contractors work on board, the bigger with several ships.

Mr Chong is 15 and 20 years old what the "boys" earn (a "boy" can be 70 years old) as well as their own expenses and profit. He will fly to his ship for periodic periods of duty to check for hidden dirt and, presumably, to make sure his piece of the laundry is not being laundered as well. During these visits he may act as unofficial factotum to the ship's commander. The relationship can last a lifetime.

When a warship comes in the slipway, then the laundrymen roll up their sleeves and show what they are made of. The competition

Deep in the bowels of Britain's warships labours a hidden cadre that does not officially exist. Christian Tyler investigates Her Majesty's Chinese laundrymen



watch the Navy's top brass disappear.

After a while, a Chinese was seen sauntering down the gang-plank. He walked straight up to the limousine, jumped in and was whisked away. It was Peter Chong, the contractor. The Governor-General was being measured for a new suit.

"There is a lot of banter on board and plenty of laundry jokes," Paine said. "But the Unofficials are regarded with a lot of affection. They work phenomenally hard and show loyalty to the Crown and the UK is total. You hardly know they are there half the time. But how could the Navy have existed without these guys?"

Unofficials have served the Navy for 35 years or more, longer than any other men. Their service records read like a roll-call of the Navy's glorious past. Many campaign medals for the wars they have seen - or at least heard - these posts beside the boiling tub.

It was Kang Shik Ming, contractor for *Brilliant*, who made the breakthrough to formal recognition of the higher order. He was the first Unofficial to be awarded the British Empire Medal. The competition being it is four contractors soon secured the same honour.

Hong Kong is due to return to China in 1997. Nobody knows what will happen to the Unofficials when the Royal Navy weighs anchor for the last time. They are worried by 1997," said Paine. "But they are the relic of better days and the only people to escape the net of Royal Navy bureaucracy. I don't see what they've got to worry about."

Somewhere in Hong Kong there is a printed history of the Unofficials. But it cannot be released. Why not? It is a secret document.

Life, liberty and the pursuit of sales

IT IS nearly two years since the Financial Services Act was fully implemented, yet still the arguments about protecting investors go round and round.

Almost from the beginning there has been a running battle, still unresolved, between the Office of Fair Trading over disclosure of commissions and charges. The "polarisation" of intermediaries into various categories has led to serious problems, one of the self-regulating organisations which reports to Sir Alan Fimbra, which authorises and supervises independent financial advisers, is facing serious financial difficulties.

The current problems nearly all focus around the life assurance industry. Pre-FSA, companies were quite tightly regulated at the balance-sheet level but hardly at all in the way they sold their products. They were largely exempt from the Prevention of Fraud (Investments) Act, originally drafted in 1986 primarily to curb fringe operators such as door-to-door pushers.

Gold-calling was a privilege retained by life offices. They also relied on their ability to conceal information - costs and charges from clients (whereas stockbrokers, for instance, had to make their commissions absolutely clear).

The defence for such hard selling and soft disclosure was that life insurance was a good thing and deserved regulatory support. Indeed, buyers of life policies even received tax subsidies until 1994. Privileges were retained even though over the years life policies

came more and more to resemble simple savings plans, with comparatively little actual life risk.

Indeed, the savings-type policies carried much higher commissions, thus deliberately motivating salesmen to concentrate upon them.

Remarkable results have been achieved through the commercial power of the life offices. It is an extraordinary fact that something like 80 per cent of savings being granted in the UK are by long-term (usually 25-year) savings plans, known as "highly lucrative commissions" raked in by banks and building societies.

Moreover, most of these savings plans are in the form of profits contracts, on which up to 60 per cent of the benefits are only paid out at maturity. Yet in practice many policies are surrendered within a few years, at a huge loss to the investors, and possibly only 20 per cent of policyholders collect their full bonuses. That is not a good deal - but they are in a small minority.

Effectively, hard-sell techniques mean that many people are being sold the wrong sort of policy, or at least are left unaware of the nature of the product. Last year Hugh Schriffeld, president of the Institute of Actuaries and chief executive of Norwich Union, told the institute that this behaviour did "nothing to enhance the reputation of the life insurance industry or the profession".

The life companies know that they and full disclosure

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The life companies know that

fudged, an intermediate category of representatives created to accommodate those who did not match up to the more demanding standards of IFA. They range all the way from Halifax Building Society to fringe firms like the defunct Herries. Assured, still being investigated by the Serious Fraud Office.

These tied agents are only vaguely under the control of their sponsoring companies, have caused a lot of trouble, but the ones have probably been picked up by the industry problems and are expensive in terms of the more public and more criticism.

As for charges, the battle still rages. Early on, SIB regulators came to discover that a personal pension plan had seven layers of charges, mostly an impenetrable nature. Under the standard selling regulations, all policy projections must be based upon the same arbitrary investment returns, even though policy charges may vary wildly from one company to another: expressed as a percentage yield, expenses may vary from as much as 2.5 per cent a year on a 10-year plan.

To begin with, SIB offices own SRO, a maximum commission scale, but the government threw this out on OFT rules. But the insurers (scam) come in small

print a week or two after the (signed) is signed) are so that equate that there are few competitive pressures in prevent an escalation of commissions for IFAs. And company salesmen do not have to disclose their commissions in any form.

The weak link in all this has turned out to be Fimbra. In promoting polarisation the life companies cast aside a sizeable element of their retail sales network. But many do not measure up to professional standards, and have difficulty in getting professional indemnity insurance.

That in turn means that the investors' compensation scheme is proving very expensive, although Fimbra complains that the First Sea Lord uses green ink - it is an old naval custom that the First Sea Lord uses green ink - demanding to know what officials young whippersnapper had had the temerity to turn down his old friend, etc.

The prestige of the long-serving Unofficials is illustrated by an episode in Gibraltar, when a retired admiral, Governor-General of the colony. A ship of the line had arrived in port and the Governor-General's limousine and were waiting on the quay. A crowd collected to

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Remember that the value of investments and the income from them may go down as well as up and that past performance is no guarantee of future success.

(Source: Murex to 1 January 1991, offer in bid, income revalued)

For more information please fill in this coupon and send it to Newton Fund Managers Limited, No. 2 London Bridge, London SE1 9RA. Alternatively you can telephone Samantha Gilchrist or Powell on 071-407 404.

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The framework for the regulation of investment in Britain is breaking because basic issues of disclosure and fair competition have still to be properly addressed

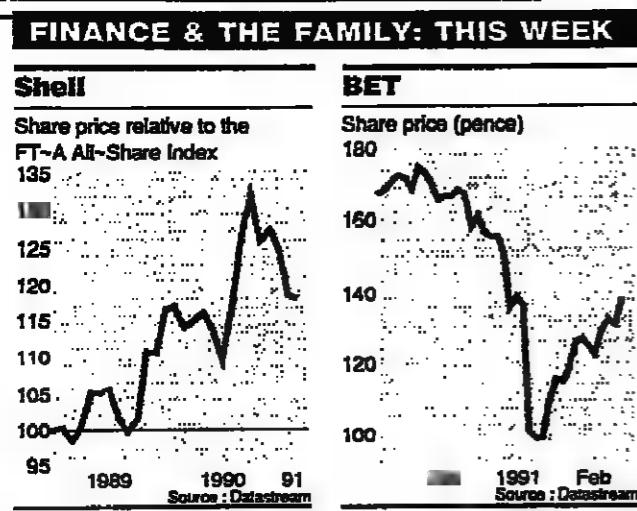
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MARKETS

LONDON

Footsie dodges the bullets



Shell fortunes fall further on news of mixed figures

Royal Dutch/Shell, the Anglo-Dutch oil group, is more on the swings than it gained on the roundabouts last year, showing a 10 per cent drop in earnings for the year. A poor performance by the chemicals division, currency losses and a higher oil charge were offset by higher oil prices and an improved performance by the refining division. Shell shares, which have been marked up with a recent decline in oil price, showed a further fall on the figures. *Philip Coggan*

BET boardroom changes help shares rally

Sharpened focus in the boardroom at BET, the services company, led to an impressive rally in the company's share price this week. BET marked up 7p on Monday as news came of a new chairman. By Thursday night, the shares had gained 15p on 137p.

This was not solely a reaction to the replacement of the chairman, Sir Timothy Bevan, with Sir Alan Wills, the former managing director and executive. Analysts liked BET's move to put Biffa, its waste management subsidiary, in the first instalment of a wide-ranging shake-up. Wills said the streamlining was "around the somewhat obvious fact that we had to look at the cost face". *John Authers*

Investment trust optimism . . .

"Start buying". That is the cheerful message of the renowned investment trust research firm County Mortgages in their review of 1990. The team argues that the UK market offers good value and that the US dollar is unduly weak against the pound. There is, according to County, a strong historical correlation between the strength of investment trusts and the strength of the dollar. In addition, County believes investment trusts will be well compared to other equities. There may well be a narrowing in the discount to net asset value at which shares in the trust trade. Investment trusts should be able to allow their dividends to grow in a faster rate than other UK equities.

Furthermore, County analysts say that trusts seem to be investing with an added defensiveness and yield, which augurs well for the quality of their portfolios; and trusts are trading at a 12 month yield relative to the rest of the market. *PC*

. . . Unit trust gloom

January's unit trust trading figures, taken at face value, were not satisfactory, with £682.7m of units bought by individuals and £1.5m cashed-in, leaving net new investment for the month of £129.7m. However, all net new investment was accounted for by various life and pension companies with Prudential Corporation buying £130m of units from Prudential Holborn. Thus, for the other 150 management groups, net new investment last month was zero, a comparatively low level of activity. So last year's problems of little or no real growth in unit trust investment are continuing with no sign yet that the private investor is coming back into the sector. More managers are looking to Norman Lamont to ride to the rescue in his forthcoming budget. *PC*

New funds from Fidelity

Fidelity launched a range of five unit trust funds to invest in international bonds this week, following a trend which has set in for funds in the sector from Mercury, Barings and Newton. The five funds, in International Bonds, European bonds, Sterling bonds, US Dollars and Yen Bonds, offer yields varying from 10.13 per cent to 10.13 per cent.

Fund managers have been attracted to international bonds by widespread sentiment that world interest rates, which depress bond prices, may have peaked. The initial charge is 1.5 per cent, plus 1 per cent discount for investments of £1,500. *J.A.*

Sun Alliance launches PEP

Sun Alliance has launched a unit in Personal Equity Plan (PEP), with a minimum investment of £1,000 and a maximum of £3,000. The Equity Trust is mainly in blue chip UK companies and carries a 6 per cent initial and 1.5 per cent annual charge. Founded in 1970, the Equity Trust had 22nd out of 29 growth funds over the last 10 years, according to Finestat. *PC*

INSIDE . . .

BES cash safe as firm fails

John Authers reports on the tangled web of Chancery, the financial services company which went out of business on Monday, and that many investors had some PEPs hold nasty surprises for active plan-holders, and are ahead in company week.

CGT deadlines looms for savers

Investors beware: April could be a move which could cut the amount of Capital Gains Tax you are liable to. *John Authers* reports. Plus Kevin Goldstein-Jackson on what he put out in Norman Lamont's first budget.

Company annual reports: some could do better

SMALL shareholders rarely get the opportunity to meet the management of the companies they own. They might catch a glimpse of the board of directors at the annual meeting – even exchange a few words with the chairman over wine and canapés – but that is about the only personal contact between the smaller owners of companies and the people that run them.

Large shareholders – the anonymous pension funds and unit trusts and so forth who go under the collective name of the institutions – are the subject of much wooing from the corporate sector and in many cases face-to-face briefings from management in regular intervals. Smaller shareholders have to make do with the annual report.

The annual report is thus not merely a repository of financial information and a

collection of glossy photographs – it is the prime vehicle for communicating management and the majority of shareholders. It tells about the business of a company, about the management, and about the financial performance of the company during the year.

So what makes a good annual report? I am beginning to get a reasonable idea, having read through 100 accounts, from both large and small companies, in the past months as a judge in an annual report published by the UK's three institutes of chartered accountants and the International Stock Exchange. The winners – and as large company, Nestor-BNA in the small company category – were announced earlier this week.

It helps if a company

the reader what exactly it is that it does, makes, in bold, easily comprehensible terms, in a prominent place in the report.

At the cover of the annual report and on the pictures with captions that explain the company's main activities in the medical and specialist personnel industries. On the cover of the annual report is a brief, to the point explanation of the company's (healthcare, industrial and high vacuum technology) and how many people make the products and in which

The usefulness of a report is greatly enhanced if it is a summary of the key financial statements, capital expenditure, capital employed and profit for the group as well as analysis by business and geographical area – is to be found near the

front of the document. This "at a glance" understanding of how the company has performed is later in the report this is supplemented by charts showing the trends in key figures over several years, much like the

The annual report is unusual in that it carries biographies of all board members, on pages 4 and 5, below the chairman's biography. The chairman can put his name and make an announcement of the calling of times people entrusted to look after their investments.

The meat of any annual report is found in the detailed financial statements showing the balance sheet, the profit and loss account, a source and application of funds statement, and notes to the accounts. Analysts and financial analysts take pleasure in going through the figures with a fine tooth-comb. Others make

more sense of the detail if there is a written explanation of the important financial developments in an earlier part of the report.

In either case, it is helpful if the detailed figures are well presented. It is irritating if the typeface is not big enough to be read without a magnifying glass and annoying if you cannot tell at a glance which are this year's figures and which belong to the prior year.

Many companies now invest heavily in the design of their annual reports: that much is obvious from the extreme glossiness of the pictures or the sheer weight of the expensive paper used in the documents.

But as Richard Sykes QC, chairman of the judges, observed as the prizes were presented on Wednesday, an annual report should be more than a mere marketing document. Design should not be

indulged in for own sake – it should be used as an unpretentious aid to getting the message across.

Sykes made another point: the annual report should be well presented. It is irritating if the typeface is not big enough to be read without a magnifying glass and annoying if you cannot tell at a glance which are this year's figures and which belong to the prior year.

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As Sykes said, the annual report should provide companies with plenty to be excited about when they produce this year's annual reports.

David Waller

Shares traded by volume (million) weekly totals

Excluding Intermediates & Overseas turnover

3000

FT-SE 100 Index

2500

2000

1500

1000

500

0

FT-SE 100 Index

2400

2200

2000

1800

1600

1400

1200

1000

800

600

400

200

0

Turnover by volume

Jan 1991

Feb 1991

Jan 1991

FINANCE & THE FAMILY

Family & Finance writers assess prospects for the privatisation of the two generating companies

Twin faces in a power play

YOU STAND a much better chance of getting a worthwhile allocation in the generating companies' flotation than did in the regional companies, when many people obtained only a fraction of the shares they requested and applicants for large amounts of nothing. If you are still seething about that, bear in mind some key differences between the two sales.

There are many applicants there are, purely on the grounds of the minimum number you can ask for, you are bound to get more shares this time. That is because you will have put up at least to buy 300 shares at a parity price of £100 in the regionals.

That minimum - £225 on a fully-paid basis - is bound to put off some people, which is the intention. The regions always wanted to sell these shares to the more sophisticated private investor, and to this end marketing has been lower key. And, not forget, you must buy shares in the companies, although they will trade relatively when dealings start.

The level of public interest looks uncertain. The government has a mailing list of 7,500 registrants who will be receiving application forms next week, but all but 250,000 of these were automatically forwarded from the regions' sale.

The incentives are not as alluring - there are no discounts of vouchers in electricity bills. Applicants will choose between a first instalment of £100 and the second instalment - £225 for every £100 up to a total of £300, a one-for-10 share bonus after three years up to a total value of £100 in the issue price.

But the government is not double-edged. The very fact that it is not is the reason PGen means that it has more room for improvement. And the constant references to the small nimble of the regions prompted PGen's managers into elaborating aggressive commercial policies.

John Baker, PGen's executive, says: "If I could put any difference of colour on the two companies at present, my instinct would be that PowerGen have been more concerned with technical innovation, while we are more concerned with customers and their

being getting a deal? Nobody thinks that the offer terms - 175p per share - is a give-away. The yield is seen as the lowest which the government could have attempted in today's stock market conditions. Any potential gain for investors could be wiped out if the market has a fall.

Although that does not mean that the shares are a good investment. Analysts are enthusiastic about prospects for the two companies. But one should remember that substantial restructuring of the electricity industry has created longer-term gains for the two generators.

National Power and PowerGen enjoy the security of selling a commodity everybody needs. Assuming that electricity demand grows by around 1.5 per cent from the mid 1990s, their product will not go out of fashion.

The generators make their profits on the margin between generation costs and the price of electricity. In the long term, the key is NP and PGen's business will be keeping down by building effi-

cient generating plant and buying fuel cheaply.

But competition will really pressure them cutting when other generators enter the market in force, which is very unlikely to happen before the end of the decade.

For the foreseeable future, the two generators' challenge is competing with each other for market share.

They will do this by bidding their plant into the electricity "pool", a kind of spot market administered by the National Grid Company which the price for electricity.

Their revenues will depend on significant gains in how well they do in the bidding.

The two generators are in a strong position in fact rivals. Their size and market share mean they can make capital investment that ensures their stations are competitive.

Another critical factor in future competitiveness of their plant will be the fuel price, which represents most of the running cost of a power station.

The generators will also need to negotiate contracts with their large customers - either

regional electricity companies or industrial consumers. Securing these contracts protects them from pool price fluctuations and they may also charge upfront.

Now comes the challenge of countering the tract business of large industrial customers in particular and the stability and credibility of their

two regional electricity companies, the generators are subject to regulation. However, City analysts believe they have much control over the pool price of electricity, even assuming they act in some way to some believe they may. In the long term, suggests broker Phillips & Drew, the two generators could be referred to the Monopolies and Mergers Commission.

Finally, investors should be aware that, while generators will have to support considerable capital investment programmes - particularly related to their environmental obligations - through

Broker PGen estimates that clean-up could chop up to around £100m after joint profits of the two generators in any one year.

NATIONAL POWER

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BUDGET
91

A PRIVATE investor, I very much hope that the budget in March will provide much more encouragement to individuals to make their own investment choices and invest directly, rather than via a financial institution.

For example, why do Personal Equity Plans need managers? Why not simply state in the people can invest directly in shares of their own choice up to £7,500 per year, with all gains being tax-free?

All that will be required for an investor will list on his or her tax form each year will be included in his or her own PEP. Company reports will be received direct, no management will be incurred, and an investor will have a greater sense of ownership of the company.

In this year's budget, it was announced that stamp duty on share transactions would be abolished when Taurus (the Stock Exchange's paperless share transfer system) is introduced.

As the implementation of Taurus has been delayed yet again, and as it is of benefit to institutional investors than private investors, I hope that Norman Lamont, the chancellor, will announce the abolition of stamp duty - not only on share transactions but

Wanted: more choice for the private investor

on house purchases.

With the prime minister interested in the possibility of a national lottery, I hope that the chancellor will not overlook the existing national lottery - premium bonds - which is a considerable improvement. The nominal interest rate on the prize fund is derisory and needs to be increased by another 1 or 2 per cent. The maximum individual holding of £10,000 worth of bonds will be increased to £15,000.

Unemployment appears to be rising. If a company employs a gardener, the cost of an employee can be offset against the company's profits and losses. Why should the same benefits not be given to individuals? Let people deduct from their income the employing gardeners, nannies, or home-helps.

Recently, my wife and I were "knocked out" for a while by a virus. We had to employ a cleaner in order to keep the house running. Such a person is not entitled yet, if he had employed a secretary to type my letters and deal with my correspondence. I could not see such a person against my tax bill. Surely a caretaker is just as "worthy" a secretary?



Such tax incentives for part-time gardeners, nannies, or assistants and so on would not only help reduce unemployment. It would encourage people to undertake further education and training. We have got to make it easier for the newsagent's son to get the correct change.

Most people, when asked for their hopes, only put forward what they would like to see tax reductions. But there are two areas where I would like to see large tax increases.

The first is on people in the Channel Islands and elsewhere overseas who invest in British shares, make profits, and yet pay no capital gains tax. This is unfair. The gain is effectively made in Britain - the shares are in British-based companies - so greater tax ought to be paid.

The second increase in taxation would be on inherited wealth. A number of companies have been ruined by the idiot offspring of the founders

who have inherited large shareholdings to the detriment of other shareholders and the economy as a whole. Inherited wealth is increasing rapidly and is socially divisive. It cannot be justified by any current party political doctrine.

Having produced a number of companies myself - including one with a full stock-market quotation - I do not believe that most people start companies in order to hand them on to their children: they do it to make money for themselves or because they want to be independent or enjoy running a business.

How better it would be, if an entrepreneur's offspring instead of joining the "family firm" - started his or her own company and perhaps eventually made a proper takeover bid for the "family" firm. It would provide greater competition and a greater incentive to work and fully exploit talents.

This is not to suggest that on death the taxman takes everything: a spouse should be allowed to inherit everything tax-free and children should be adequately provided for until they are 21.

Taxing income is painful: money has to be paid in taxes every week or month out of hard-earned income. At least with heavy death duties the shares are in British-based companies - so greater tax ought to be paid.

This article is the fourth in our pre-budget series.

Kevin Goldstein-Jackson

March 31 and April 5, 1992. You will be deemed to have held them on March 31. Many shares showed a gain during that week, and thus it is best in these circumstances not to make the election.

If you have property, unquoted shares or other assets valued when deciding to make the election, hold on to the value's receipt, as it will eventually be deductible against CGT purposes.

It is refreshingly simple to make the election itself. All you need do is write a letter to your Tax Inspector, stating your decision. Details of the investments which have been affected may need to be forwarded later, according to the Inland Revenue, but this will be enough to ensure that your gains are only taxed from 1982.

The Inland Revenue's pamphlet CGT14 provides more detail on the issue.

John Authers

CGT deadline looms for savers

of April 5 this year applies to the result of a number of amendments to legislation which affect the tax. It is all unnecessarily complicated but, unfortunately, demands attention.

You can start to ignore the history of any investments you made before March 31, 1990, for the purposes of CGT. Taxable gains made on these investments can be calculated on the assumption you started the investment on this date.

This could be worthwhile, if, as in most cases, the investment had made a gain by March 1992. The rule of thumb, according to Ralph Newns, of Touche Ross, is: "If in doubt, make the election."

However, it is running out if you want to elect to make the change. The deadline

is generally worth doing grounds of simplicity alone. All your

investments from March 31 can safely be thrown into the dustbin, if you make the election. In Newns' words: "You are required by law to show the full story to the Revenue. If you make the election you can start the story at March 31, 1992 and make life a great deal easier. It's worth it just for simplicity."

Other points you should bear in mind are: which lawyers and accountants agree are the most complicated and unnecessarily complicated on the website include:

You should not make the election if the bulk of your investments are making a loss until 1992, and have hung on to them. Whatever has happened in the investment since, you would then have to pay more tax if you bought

with paying extra tax if you bought

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John Authers

A check on cheques

Q&A

BRIEFCASE

you are bound to make the payments contracted for.

Caring for aunt

MY COUSIN AND I have an aunt of 97 who is living in her own home not bedridden, but immobile. We share the daily provision of meals. A night care nurse (paid for by aunt) takes over from 8pm until 8am.

Even though we are over 70, we manage. Should my aunt become incontinent and require nursing we would like her assets to her advantage. Can a Power of Attorney be appointed to administer her affairs? My aunt thought not, as she is unable to understand the situation. The executor of her will are my cousin and a solicitor.

Your aunt can power of attorney giving someone eg. you or your cousin (or both) the power to act in conducting her affairs. However, in view of her age it seems best to use an Enduring Power of Attorney which enables the donee(s) of the power to act as her attorney in the event that she becomes unable to conduct her own affairs eg. through senility. Such a power must be registered at the Court of Protection on the occurrence of the event which makes the power exercisable.

Caught by a contract

WHEN SIGNING the supplier's order form for the long term lease of a fax machine I also signed a contract - which the supplier's representative put in front of me - to pay a finance company a quarterly sum in respect of the lease.

I cancelled the order and the supplier accepted the cancellation and did not deliver the machine. However, I forgot to cancel my agreement with the finance company which has been pressuring me for payment, redoubling its efforts since the supplier went bankrupt. In spite of my oversight in not cancelling this contract with the finance company, am I liable to pay rent on a machine which was never delivered, never in my possession. The finance company thinks as and when I want to use it.

Unfortunately the rate contract with the finance company is one which that company is entitled to enforce independently of the cancellation of the order. It is just possible that a careful perusal of the terms of the contract may enable you to claim that payment is not due where no supply took place, but unless that can be spelled out of the contract

IN JULY 1988 I informed the tax office, by filling in the necessary forms, that I was to become non-resident. That date was in July 1988 and, to date, I have received no "exempt certificate". I travel often and sometimes it would be convenient to change aircraft at Heathrow and or Gatwick airports, but so far I have avoided doing so because I am worried it may cause problems with the British tax office, especially if I have to change airports or go through passport control.

Provided your journey can be documented to show that you were only in transit at the English airport, there should be no problem caused by your changing aeroplanes here.

John Authers

No escape from CGT

I HAVE very large potential Capital Gains Tax liability on ordinary shares. The annual exemption is only £1,000 of the problem, independent shareholders help as no help as no own liabilities. There is, I know, no CGT on cash but I find it an unattractive option. Are there any CGT liabilities which are suitable where large

No the days of off-the-peg avoidance are really over. Incidentally, perhaps I should remind you April 5 1991 is probably the date for an election (under section 96(5) of the Act) to ignore the

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As you can see, the GT Japan Investment Trust leads by a very distance. In fact, it is comfortably the top-performing Japan investment trust, with net asset value growth of 142% [Five years to 31.12.90] (ATC).

The lower graph makes the same comparison, but over the one-year period to 31st December 1990.

It shows just how steeply the Tokyo New Stock Exchange Index fell last year.

But it also shows that GT Japan fell very much less than the Index - and, indeed, much less than any other Japan investment trust.

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GT Japan Investment Trust

5% FIVE YEARS TO 31.12.90

Source: ATC

Average Japan Investment Trust -34%

Tokyo New Stock Exchange Index -47%

TODAY'S OPPORTUNITIES ARE TOMORROW'S APPOINTMENTS.

See the Top Opportunities page in Friday's FT

Director
Opportunities

FINANCIAL FUTURES & OPTIONS

The FT proposes to publish this survey on March 23, 1991. It will be of particular interest to the 50% of International Financial Managers in Europe who read the Financial Times. If you want to read these important articles, call James Powell on 071 873 4808 or fax 071 873 3078.

FT SURVEYS

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MINDING YOUR OWN BUSINESS

COMPUTING

Learn to create enticing spreadsheets

Barbara Conway tries out some easy and impressive programs to handle business figures

THE SPREADSHEET program, originally designed to manipulate figures is a complex concept. At first sight it is complex and daunting proposition, involving the use of mathematical formulas and tables of figures, it turns out to be an approachable of all business packages, which produce swift and intelligent results.

Indeed, so useful is the spreadsheet approach, that it can be used for both word processing and database functions. The idea is simple: the screen is divided into a grid of rows and columns. The crossroads between each row and column creates a "cell" which stores information. Cells can be wide enough to store text or they may contain numbers such as sales figures. Other cells contain instructions: for example, add a column of figures or calculate a percentage. These instruction "formula" cells are the heart of a spreadsheet, because they can display new results every time a piece of data is added.

So spreadsheets can deal with stock lists, automatically calculating marks-up and VAT elements, they can work out the right figures for payroll including national insurance. They can keep track of bank balances, adding interest where appropriate. There are programs dedicated to these

business administration functions, which will be reviewed in this column. But, with a little practice, it is surprisingly easy to modify a good spreadsheet program to fit your needs.

Best of all, when you contain a formula, say for calculating the total of a column of bank deposits, any linked cell in the spreadsheet (profit and loss, for example) will be updated automatically. Anyone who has kept financial records should have no difficulty grasping the principles of a spreadsheet.

The more modern spreadsheet programs can also columns of figures (of for example) into easily comprehensible graphs. If you have a 286 or 386 IBM-compatible micro, you can turn figures into "formula" cells are the heart of a spreadsheet, because they can display new results every time a piece of data is added.

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version 3.1 which can, and be used with Windows although not taking full advantage of that system's facilities.

If you are using Windows, take a close look at Microsoft's Excel (1454) which uses that environment well and, as well as the other optimum packages mentioned, had paid particular attention to providing a neat and comprehensive facility. Wingz, from Informix at the same price, is also designed for Windows and has arresting graphics features. I found it less impressive than Excel but it is a comparatively new program and new versions may close the distance.

For a budget spreadsheet try one of the shareware products advertised in computer magazines. The best is probably As-Easy-As from Shareware Marketing. You pay a few pounds for a disk, which you are allowed to use and give to friends. This shareware operates on the basis of trust. As-Easy-As is asked to send £45 if they like the program and decide to register for the full package. The full-featured Supercalc is in competition in the budget category, but apart from relatively primitive graphics, As-Easy-As, which is compatible with Lotus 1-2-3, represents good value for money, particularly for small needs.

Paperwork is the key on trail of lost words

IT IS tempting to say that Leonard Foulkes earns his living filing paper. There is a slight air of eccentricity in his shop and office in Cardiff which is full of bundles of parchments, neatly tied in rubber bands. In one room, the phone rings. Foulkes opens a cupboard door and pulls a chair up to a desk. After talking, he puts the phone back in the cupboard.

Foulkes' business brings a small amount of joy to thousands of people every year and makes his good living in the process. The small Print Book Service locates and dispatches more than 4,000 books every year to people desperate to get hold of a tome no longer available in bookshops.

"I get a lot of enjoyment out of the kind letters I receive and a feeling that a job has been well done," says the 46-year-old former bank clerk.

A random letter in the small premises in a quiet suburb of the Welsh capital underlines how the book-hungry public can there. A prisoner at Cardiff jail is looking for *Lulu in Hollywood*, the library at ICI, Phillips and Parker's snappily-titled *Polyurethane*; Kerry Brunner of Wauwatosa, Wisconsin, an armoured vehicle freak, is hunting for a clutch of books including *A Tank*; someone else wants *The Astonishing History of Troy Town*; while Swansons University is missing a list of editions including that

the company, which has

well-known best seller *Muria and their Ghoul*, Jill Gascoigne and magician Paul Daniels.

Foulkes has been offering a book-finding service since 1971 but, as it is a firm based on the purchase of the shop and office and there is no turnover of £50,000, he does not like talking about profits but says his service is higher than new bookshops which tend to work on a return of 10 per cent.

The art of finding books is relatively simple. Every week, Foulkes puts up a list of all recent requests that people have made to him and has this list printed in the half dozen or so main trade magazines, including Book News, Bookseller and Publishers Weekly. He waits for responses from dealers who have a book on the list. They name a price and write offering a price to the person seeking the book. If that is agreed, he instructs the dealer to send the book to the customer. Print, therefore, behaves rather like a bookshop.

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HOW TO SPEND IT

Keeping it chic and cheerful

Lucia van der Post on a fashionable fusion, naif sheep, designer toothbrushes and more

I YOU are a single shop that is as stylish as Harvey Nichols, a chain of shops a wide-spread and middle-of-the-road. Principles, how do you each to enjoy the benefits of the other?

You would probably what is doing, which is try to sell the stylishness one a much larger market and to inject a gloss into middle-market image, the other. It has hit on a clever way doing this which, as with all the things in life, seems to benefit not just Harvey Nichols Principles but you and me as well.

The Harvey Nichols look, in the shape a tightly-edited, classic, classy collection of clothes bearing the Harvey Nichols Collection label has just gone into Principles all over the UK as well as into Harvey Nichols in London's Knightsbridge and into Debenhams stores in Aberdeen, Chester, Croydon, Guildford, Hull, Manchester, Nottingham, Preston, Sheffield, Southampton. The look is definitely Principles than Harvey Nichols which, say, the right way round. This does NOT mean, however, that they are cheap. They are excellent value for money.

The clothes you can see from the picture on the right have that easy, confident look that American designers do well - silk jackets, wrap-over simple tops (à la Donna Karan), classic, chocolate, cream and soft pink for the ladies. It is now but with flared chambray coming in in the spring and later strong richly-coloured lemons arriving in high summer. Prices start at about £24 for a viscose T-shirt while a silk shawl collar jacket is classic silk or linen £140.

The intention is that the Harvey Nichols Collection label is here to stay with new collections going into the Principles and Debenhams shops every time a year of these huge fashion statements, but all have the kind of easy classic quality that could make the backbone of many a working woman's wardrobe.

Somerset Country Furniture, about which I have written before, is all it seems, if for all the world as if genuinely old pieces of country furniture have been rescued from some loft and then gently painted and restored to make them acceptable to the gentry. In fact, Somerset Country Furniture, ran out of old pieces to restore, so now his workshops make new pieces that are as if they have been rescued.

All the pieces are based on the simple, functional pieces made by village craftsmen all over England in the 17th, 18th and 19th centuries and since I last wrote the range has been greatly expanded. It is now includes many extra small pieces, shelves, etc., of the sort houses need, as well as a small collection of "fake" primitive pictures like the sheep pictured right - it may be Stubs, but it's a hell of a lot cheaper.

The mood, as you can see, is entirely rustic, naif, unsophisticated and country-style. The primitive pictures start at £220. For a full-colour brochure showing everything it does, write to Somerset Country Furniture, The Old Chapel, Church Lane, Ilchester, Tel: 0225 722222.

Silk Road Marketing is a small mail-order operation that a number of charming things at excellent prices. You could start by ringing the warehouse on 021-327-1172 and asking for the illustrated leaflet. On it you will find things like a white embroidered king-size, £49 single; a pure white embroidered cotton nightdress, Victorian-style, for just £20; a range of sophisticated metallic brown/black/ceramic beads for a luscious chiffon scarf embroidered with gold on black or dots of silver white, 4 ft square, for £9.50.

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there I managed to pick up a few helpful hints - to water my rush matting and not hang my pictures like ducks flying up the wall. The rest of the students were a lot more besides and were confident that they had reached a high standard.

If you have old, battered pieces of furniture which could do with a facelift, Belinda Ballantine has just started a school in Malmesbury which show you exactly how. There is a single introductory day (£70 plus VAT) or a three day course (£180 plus VAT) which takes you through preparation, and quick ways of achieving a good finish and on the third day there is design work. See what Belinda's fifty way with a paintbrush did for the old armoire at the bottom of the page.

The courses include all materials and samples and if you have your own beloved battered piece at home that you'd like to recycle and turn into a thing of beauty there is a five day workshop (£300 plus VAT) to which you can bring your own piece and transform it under skilled tuition. Brochure and more details from Belinda Ballantine, Apsley House, 6-3 High Street, Malmesbury, Wiltshire, SN16 9 AG. Tel: 0666-822047.

If you are interested in serious restoration - things like china, silk or watercolours, frames, leather or textiles conservation - then Merton Restoration Courses will teach you how. There are fifteen short courses, ranging from one to five days, £100 from (prices range from £100 to £400) and then there are six courses for those who want seriously to learn. Details from Merton Restoration Courses, The Garden Flat, 71 Harrow Road, London NW1 4PZ.

Nothing is too large or too small to interest the range of Philippe Starck's enveloping talents. His so-called enfant terrible of the French design world has turned his attention

to to buy a hat.

Ever since I tried on

grandpa's homburg I've

wanted to make something rai-

chish to my head. I'll pipe-

hats to make the cheeks

that much more cherubic and

funny. hats on men's

heads there were in the

1960s. Nobody seems to

know why. Keir Keir, author

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Fortunately my mid-life cri-

sis has coincided with a re-

turn in men wearing hats.

Oradur might look

like a scene from a 1940s gang-

ster movie but there are defi-

nately men's hats on men's

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MOTORING/GARDENING

Cycle of danger grows worse

Stuart Marshall asks whether motorists are a menace to two-wheeled road users

DO MOTORISTS give cyclists an inch of break? Not according to Dr A P White, of Solihull. He is a former amateur racing cyclist of 30 years ago who in middle age returned to the saddle in pursuit of pleasure.

Dr White was surprised to see road safety for cyclists mentioned in a motoring column (this page, two weeks ago) that he had drawn my attention to "the really alarming state of affairs" they faced on British roads.

Conditions were much worse for cyclists than they were in 1981. "In general, roads are now safer, but now wear a crash helmet - something I just did not feel necessary 30 years ago," he says.

Dr White, who uses a car for business, a bicycle only for recreation, accuses motorists of "a widespread negative attitude". This ranges from lack of consideration for cyclists or awareness of their needs to "down-right hostility and aggression."

There seemed to be a feeling that cyclists were "not real road users". This made pedestrians step out in front of them and motorists manoeuvre around them "in a way they wouldn't dream of doing in the

vicinity of any other road user."

Some drivers gave the impression of being unaware of the cyclist's existence until a dangerous situation arose. Others thought cyclists were quasi-pedestrians "whose needs could be disregarded... because they are never going to need all of the driver's valuable road space."

Specifically, Dr White complained of:

■ A minority of motorists crowding cyclists when overtaking them out of either ignorance or hostility.

■ Vehicles turning left immediately after having overtaken pedal cyclists, forcing them to brake harshly. "It is not uncommon to see in several hundred thousand miles of car driving," says Dr White, "I wish I could say why should they be such a problem for cyclists?" he asked.

■ Drivers pulling out of side roads in front of cyclists - motorcyclists, too, either because they had not seen them or had underestimated their speed.

■ Vehicles sweeping into roundabouts and barging into the path of cyclists already in the act of giving them right of way.

Although Dr White loves cycling, he would now hesitate to recommend

it as a sport or pastime - "it is just too dangerous." He said he was beginning to wonder how much longer he could go on before giving it up, this time for good.

When young, I cycled everywhere; I had no option. The last time I cycled on the highway was so long ago I have forgotten but I know what Dr White means. An uncouth and uncaring minority of drivers has always felt much the same about people riding horses.

In the 1970s I thought nothing of riding for a couple of miles along a road to reach open exercise country. But by the mid-80s I had not happened to see in several hundred thousand miles of car driving

such as Dr White. "I wish I could say why should they be such a problem for cyclists?" he asked.

■ Drivers pulling out of side roads in front of cyclists - motorcyclists, too, either because they had not seen them or had underestimated their speed.

■ Vehicles sweeping into roundabouts and barging into the path of cyclists already in the act of giving them right of way.

nology have made it easy to maintain speeds on rural roads, including those full of blind bends, that would have been unthinkable.

This must partly account for the cavalier treatment of cyclists Dr White complains of. But, without wishing to start a pedal vs. petrol engine war, aren't cyclists to blame for at least a proportion of those involved in?

Especially in Central London, where the way some of them ride the blood alternately boil and freeze. They from kerbside to centre of road to make right turns without a backward glance or hand signal.

If they are aware of the danger to themselves and others, they do not show it. They wobble past cars on their nearside, in the two lanes of slow-moving traffic when it were Britain's first cycle tracks.

Today, I do not care to risk life and limb (the horse's and mine) by hacking along a busy main road. It is not just that there are more of them on the road. So many of their drivers (most of whom have been on the back of a horse) are thoughtless and ill mannered, yes, aggressive, toward equestrians.

Traffic has slowed of late in congested inner city streets but it certainly has not in the country. It is faster,

let loose on main roads on "chopper" bikes in school holidays? Do their parents care about their safety or survival?

■ Cycles, along with mopeds, horses and other moving vehicles, are already banned from motorways. Perhaps the ban should be extended, for the riders' own safety, to dual carriageways and other roads which regularly carry heavy, fast moving traffic unless there are cycle tracks alongside?

But are reserved cycle tracks the answer? Next time you drive down the Great West Road from Chiswick toward Heathrow, spare a glance at the narrow strips in the green verge between pavement and roadway. They date from when they were Britain's first cycle tracks.

A good idea? I would have thought so. But many cyclists refused to use them because, they said, they had every right to be on the road, not confined to a track.

Have attitudes changed since then? Are cycle tracks in places like Milton Keynes the answer to the pedal pusher's prayer? Should we have reserved cycle lanes that allow cyclists to ride against the traffic, in New York? I feel a million cyclists

are waiting to tell me.

Weather beater

LAST WEEK, when I thought the snow had finished, we had another nine inches (23 cm) of it overnight. Next morning, I could not get a car up my long but gently sloping drive and cursed my lack of foresight for not having arranged to have a four-wheel drive on road test at the time.

Something like a Mazda 616 2.2i GLX 4WD Estate would have been ideal. This good looking and versatile newcomer (pictured right) just gone on sale at £16,995, which includes power steering, cruise control, anti-lock brakes, power operated windows and outside mirrors, alloy wheels and central locking.

At that price it compares well with full-time four-wheel drive rivals such as the Audi 100 Avant quattro (£22,500) and Ford Sierra 2.9i Ghia 4x4 (£17,995) though the Subaru 2.2i GX 4WD estate at £15,495 remains a bargain.

The transmission will keep the 616 estate on its snow and mud and safely stable on wet roads. Its four-wheel drive system is based on the system used in the very successful Mazda 323 Turbo 4x4 rally car. For many people who burden themselves with heavy, thirsty and far from comfortable on-off road vehicle for the sake of macho image and four-wheel drive, the Mazda could be a good buy.



The prickly puzzle of perfect pruning

You need to know where to snip to make your rose bushes bloom. Arthur Hellyer offers hints

ROSE PRUNING puzzles many people but it is really a straightforward matter on the way to look after themselves.

They thrive on young growth and, except for a few foundation roses which may live for years and still considerate girth, they allow their branches to die as they and so make way for young stems. The big branches decay and eventually disappear but it is a slow business which gardeners wish to eliminate both for reasons of hygiene and girth.

The main rule of pruning is to cut the older stems long before they get to the stage of dying, but in such a way that there is a constant and a supply of new growth to take its place. This will involve regular feeding, for roses are hungry plants, spraying, particularly against mildew and spot, and probably also against greenflies, which are all likely to attack many of the hybrid roses, which are the kinds planted in gardens.

Other climbing roses, many of which are repeat flowering, can be pruned in autumn or in

mid-winter roses, known as species, flower only once a year and, unless their flowers are followed by ornamental hips, the time to prune them is soon after flowering as this gives maximum time for new stems to fill the empty space the same year, with more to come in spring and summer.

This rule also applies to once-flowering hybrid roses including those that are known as ramblers and which are particularly suitable for training on pergolas and screens. These rambler roses make most of their new growth from quite low down on the older stems that have flowered and be right out.

This system is easy to understand but more difficult to carry out as all the long stems can be covered in thorns. The beautiful coppery-pink Albertine is a particularly bad example, a

particularly bad example, a

man-made hybrid which flowers in flushes, maybe two or three throughout the summer and early autumn, and the number of blooms produced depends in part on cutting out the lower part of the flower stems as flowers fade.

I do not always follow this last advice as many bedding roses have attractive hips which are mentioned in the catalogues but which I am glad to have because they give colour well into the winter. It is a matter of personal choice on which there can be no hard and fast rule.

What can be said is that on the whole these long-flowering varieties need more pruning than those that flower only once a year because they tend to waste themselves and have their strength concentrated on a reduced number of stems. It is in judging how many of these should be encouraged that the greatest skill is required.

A very vigorous rose such as the Queen Elizabeth can be allowed to make quite a lot of new growth and, if restricted too much, may perform badly. By contrast, naturally weak

roses need to be cut back more severely, so concentrating sap on a few new shoots.

This kind of knowledge can only come from experience; or for beginners perhaps from the advice of more knowledgeable friends or neighbours.

Stems coming straight from the roots, or from the crown where stem join roots, should be viewed with suspicion as they may be harmful suckers. Most garden varieties of rose are still propagated by joining a single growth bud to the roots of a wild rose or rootstock by a method of grafting called budding. When the union is complete all the stems of the rootstock are cut out and all sap from the roots must pass through a single garden bud which will ensure all subsequent growth is of that type.

Growth coming straight from the rootstock and thus bypassing the magical bud will only produce growth and not the rootstock type. Usually the distinction is fairly obvious but this is a case in which I will return another day.

Outdoors

Conifer forests fail acid test

throughout its catchment.

The great majority of these survive only until the fry stage, then die off as they develop Parr, killed by acidified flushed in stormy rainfall. It seems a matter of amenity and to leisure pursuit that is increasing.

Acidification of freshwater

is the great pot of environmental complex, and conclusive proof is hard to assemble and requires work. The work in which the Welsh Salmon Association is completing, and research by the Forestry Commission in conjunction with the Department of the Environment, shows the resolution of several wrong directions.

First, it was thought that acidification was caused by

from the leaching of needles through the soil

This was prior to the discovery that for

not as a principal agent but as a partner

acid rain.

Conifers play several roles in

injuring freshwater life but the

main role is, in Roberts'

graphic phrase, "like a sweeping brush combing the air".

Acid rain is caused by

and the air. The dense foliage

confers trap or scavenging

the deposition in clouds

it into the soil as it

down fir-needles and trunks. The effect of this is to release aluminium in the water below, which kills or retards young fish by burning their gills.

Conifers are peculiarly efficient vectors of acid rain because of their density

they are permanent

and are increasingly popular.

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However, when underlying

soil. However, when underlying

soil. Sadly, most upland planting

has taken place in the west,

with low lime and calcium geology; those areas are capable of withstanding ecological

acidification. The acidification

examined in the third and fourth parts of the acidification in fall. This had the Forestry Commission wringing a pin. The Commission

is mainly concerned with upland planting, and become the bogeyman for many

The uplands have been systematically blanketed with

greens in a

post-war policy which only adhered to its first setbacks in the late 1960s. Public opposition put a stop to any further planting of the English uplands and Chancery. Nigel Hodge removed

the right for forestry investors. Forestry Commission scientists

still demand that the last pieces of the jigsaw have to be in place before they will accept the conifer-acid link in

entirely. But Commission officials are whistling a different tune. The role of forestry as a part of the land use

has changed rapidly. Until recently subsidised agriculture had pushed forestry onto poorer land and higher up the hill, but it too needed heavy subsidising.

Agricultural surpluses brought forestry down the hill. Eighty per cent of planting in England is now broadleaved

and it is now too late.

Artificially acidified

woodland

in

Community

Forests

a

planned

area

between

Glasgow

and

Edinburgh

THE MIDI is the source of half the wines of France, much of it thin stuff, the strength of which has to be boosted by the deep-coloured, undrinkably powerful wines from southern Italy and Sicily.

Islands of improvement have been formed in recent years, particularly in the west, but in the sun-baked Hérault, the flat vineyards extend to an apparently limitless frontier: a political as well as an oenological and marketing problem in a country in which the consumption of *vin de table* has been falling steadily.

In this torrid region, where sun-temperatures are regularly to 100°F, few travellers would expect to find a vineyard owned by a Bordeaux University professor "capable of producing one of the world's great wines".

The vineyard, about 20 miles north-west of Montpellier, Hérault's capital, is called the *Massif des Daumes Gassac*, and its story is remarkable as well as romantic. In 1970, Gilbert owned a high-class tannery in Millau, near the Gorges du Tarn, but his wife, Véronique, had a research job in Montpellier University – a long way from Millau, so they sought a midway house in the countryside, and found a mill in the *Massif* of the Central near the village of Ansiane.

Initially there was no thought of wine-making there, but Gilbert knew a distinguished geographer, Professor Henri Enjalbert, whose

A new star from the Midi

Edmund Penning-Rowsell visits a French vineyard that could challenge the world's great wines

specialty was geology. Almost by chance he visited the Gilberts and, groping their way through the scrubby undergrowth of *la maquis* – the hedges called the *garigue* – they came on an exceptional structure.

Although the *terroir* is calcareous and very poor, with scarcely any humus, it contains a fine red powder up to 200m wide in a steep hillside in the Gassac valley.

Combined altitude and exposure, the professor declared, make possible a *terroir* rival anywhere in the world.

The location is in the *Massif des Daumes Gassac*, which to the north rises to a height of nearly 1,000 ft – vineyards facing northwards at an altitude of 1,000 and 1,800 ft. In torrid August, the sun does not reach the vineyard until 10 am. Moreover, while the daily temperature in summer may rise to 40°C (104°F), during the night it will drop to 10°C (50°F). It is compared with 30°C (86°F) a kilometre away on the plain. In the spring, the vines are 15 to 20 days behind the *terroir* cut there.

In 1973, Gilbert began to start transforming the densely scrub-covered valley into one relatively

large vineyard of 4½ ha, plus a number of small ones. The *Massif* covers 60 ha and 24 ha are now planted, with no further planned. The *Massif* vineyard contains only Cabernet-Sauvignon, the grape of Bordeaux; altogether, there are 10 ha of *terroir* variety and another 1 ha of Cabernet-Franc, Syrah, Merlot, Tannat, Malbec and Pinot Noir.

Seven ha of white *terroir* are planted on a different soil structure but at the same height and exposition as the black ones: 30 ha apiece of Vignon (the rare variety of the Rhône), Chardonnay, Petit Marsen, (associated with Jurançon), 10 per cent Muscat, and a balance of local Midi white varieties. Finally, 3 ha are left to rose, from a 30 ha apiece of Cabernet-Sauvignon and Syrah, the leading

white *terroir* variety and another 10 per cent Cabernet-Franc.

The vintage, late for this region, begins in October and all the grapes are hand-picked in small bunches so that they are not crushed. Before going into the *cuvee* they are passed along a *roulant* where the stalks are removed. The fruit is picked and the black grapes are fermented in stainless steel vats and then, after a light

grind, the wine is lively, vibrant and distinctive flavour, very attractive. The *rosé* is slightly peacock-coloured and an admirable aperitif. About 10,000 bottles of white are produced each year, but the *rosé* will rise to 20,000 when recently planted vines are in production. The *rosé*, started in 1982, has yet to reach maximum quantity of



bottles and the crop is 1,000 bottles in 1989. The *rosé* is very good and the white is elegant and fresh, but it is the red that aims to challenge the world. With a *terroir* varying from a low 30 ha per ha to a moderate 44 ha, the output from 20,000 bottles a year.

After lunch we settled down to tasting and discussing six vintages of the red: from 1989 back to 1978, the last one marketed.

With me his objective comments on vintages we did not taste, and these are marked with an asterisk.

1983: More spice, powerful, with food.

1982: Rather less colour than the younger wines. Very tannic, sawdust wood again. More powerful and more backward than the '83. Rather burgundian in style.

1981: Big colour, development now more vintages. Vegetable flavours, more than younger wines. But not so fruity at the end.

1980: Rich, bigger than '83, vanilla, caky. Some *terroir* in there with a strong, wood flavour.

1979: Still tannic but one of the best for the future. My favourite.

1978: More like a *medoc*.

1977: More burgundian in style.

1976: Classic *medoc*, the *terroir* in all of it.

1975: Full colour, stalky taste, claret style. For wine for when you're only five years old.

1974: Still very deep in colour.

1973: Interest aroused

by *terroir* a wine has led to comparisons with other distinguished wines – Lafite, Latour and Petrus. With the *terroir* wine only 12 years old, from very young vines, I believe it premature to make comparisons and to establish a ranking. With the early-planted vines now approaching 20 years, their quality should improve and show itself clearly, but that means another 10 to 15 years before their status is assured. There is no doubt, however, that they are fine, distinctive – scarcely important – very interesting.

With such small yields from modest vineyards that are difficult to cultivate because of their steepness, all the *terroir* must be relatively expensive. Eighty per cent are exported and there is a mailing list of 1,000 plus. There is a steady stream of direct visitors. The '89 was offered to cellar in *First* in June, and will be available in the UK next January.

In the UK the wines are sold by Adnams of Southwold ('88 red – £10.50); Fortnum & Green ('88 red – £10.50); W. Warrender ('88 red – £10.45); Edinburgh ('88 red – £10.45); Harrods ('88 red – £7.85); Pavillion Wine Co, Finchley Circus Gardens, London, EC2 ('87 red – £10.45); Brompton Road, London ('87 red – £16.95); '83 red – £7.85; '82 red – £9.99). The Wine Society, a vintage, will shortly be listing the reds.

Good burger, fine puddings

Giles MacDonogh finds out how the Austrians eat during Lent

THE Burgermeister of *Welsch* is particularly anxious that I should try his *Blutnudel*, as it turned out, a fine black pudding, all gleaming with streaks of pig's intestine.

I took a mouthful. It was pleasantly creamy and salty, just the thing I needed that afternoon, with the temperature down to minus 15°C. I asked the mayor the usual polite questions. He answered with gourmand enthusiasm: "You like the black pudding? Oh, I'm glad! I bought the pig with some friends this morning, and only got to killing it an hour or so ago. Of course you must know that the first thing you do with you all the pig's meat is to pull the blood..."

My *Welsch* turned, but the mayor had his *strudel*.

"Then we make the *Grammeli*, they're the bits which are left over after you've poured off the lard; the next thing we do here is make *Schubussturz* using the skin and the dark meat, then there is *Bratwurst*, *Wurstwurst*, and *Schwartzimgarten*, using the stomach; Oh, and we cut off the ham and the *bacon* to make *Speck*; and I forgot the *Schnitzels!* The *Schnitzels!*"

Yes, I thought, now he was on *Austria's* favourite food, there would be no stopping him.

Long before the arrival of Lent I was longing for an end to the endless diet of pork. Lent, however, is a curious affair in a landlocked country such as Austria.

Märkisch is on the eastern border with Hungary. The shallow (*in* places no more than 2m deep), provides some shelter from the cold in the form of pike, zander (or pike-perch), carp and *barb* – the latter being essentially foreigners introduced 60 years ago to provide the *bacon* with a new source of meat.

The pike is the most

highly prized product of the lake, something borne out by a story they told me in *Rust*; a town famous for storks (the one animal an Austrian draws the line at eating). Empress Maria Theresa was to make an official visit to the free city. The locals set about finding something of real worth to give her at the official banquet which was scheduled to take place in her honour. The lake was scoured for days and nights until one *Welsch* arrived in the town hall with a huge pike he had taken from the water.

As the feast was still three weeks off, the mayor of *Rust* decided that the fish should be marked and then thrown back in. I must say I found the story a little hard to understand. It may have been as a result of the thick local dialect, or indeed something to do with the fact that

the *Burgenlander* joke is the local equivalent of our Irish joke.

The *Damme* too has its fish, the most individual of which is the *Wels*, or local catfish. One fellow tried to convince me that the *Wels* could grow to up to four metres in length and become a threat to the barges which plied the great waterway. I think he too must have been pulling my leg.

I had the chance to study and eat a *Wels* at the fine *Landesmuseum* near *Wels*. It was just a *Wels* looking catfish, and had a long, strong, a pronounced gelatinous texture.

Loiben, incidentally, was the site of the battle of *Napoleon* in Austria. A helpful local told me that the victory of the *Wels* over the *French* was the source of the name *Blue Danube*: the uniforms of the French soldiers

Waldviertler *Stern*:

floating in the river turned the *Danube* blue. This may well have been another tall story.

I asked a man from nearby *Kremstal* to give me an honest idea of what *Wels* during the *Lent* day fast.

"Potatoes," he said, "and *Rahmsuppe*" (cream soup). Further north, in the *Waldviertel*, the people spice up the potato soup with asparagus quantities of garlic which boils in your insides for days if you are unwise enough to finish it.

The *Waldviertel* is famed for the backwardness of the people who live year in, year out on a diet of poppy-seeds, which are even fed to infants to stop them from crying at night. The narcotic effect of poppy-seeds is here said to account for the slowness of the *Waldviertler* mind.

The *Waldviertler* staple is *Mörsch* –

dough fried in the inevitable dripping, or *Schmalz*, and served with beans and onions. *Stern* is also the Lenten standby in remote *Styria*, where *Wels* can be a considerable treat in these 40 days which stretch out from the last carnival ball to Easter Sunday.

For most *Austrians*, however, the Lenten treat is the *Herringschmaus*, or herring feast. On the Monday before Lent the doors of village inns are plastered with posters advertising three-day banquets where nothing but herrings are consumed.

Unless you happen to be a Scot, man I don't suppose the idea of stuffing yourself on herring or *Stern* would appeal that much, all of which may go some way to explain why it is that the *Burgermeister* of *Mörsch* is butchering *Wels* so late in the carnival season.

bacon, cheeses, pickles, cured meats and dry goods. In the past the houses of the rich were thrown open to the poor. At all social *Leisnig* is entertainment is important during the month, and *Kumadan* can be costly. There are few special foods for *Kumadan*; it is the number and variety of dishes that mark the fast, and the richer the better. The sweets above most enthusiasm – pastries, halva, fruits in syrup and *gulace*, the special dessert of *Ramadan* come at the end of the *fast* meal. Many more are likely to be consumed during the night.

Perhaps the most remarkable combination of fasting and feasting was the coronation dinner in 1916 of the last king of Hungary, Karl IV, described by the playwright Ferenc Molnar. The king and queen sat at a high table and 19 noblemen advanced in procession, each bearing a gold platter of food. They stopped, bowed and walked on, still bearing the platters. No-one ate anything. The king raised his glass in a toast; the guests replied and the food was carried out of the hall. It was then transferred to ordinary dishes and taken to wounded victims of the First World War – a symbolic fast at the country's most important feast.

The pious then withdraw to their *höfe*, but the general tendency is to visit family or friends or go to cafes or parks. People sleep little during Ramadan is alive and brightly lit by night. The crowds are in festive mood, the cafes and food shops, especially those selling sweets, are busy. The night ends with *suhur*, the final meal before sunrise.

Thus the month of *Ramadan* is also the time for gastronomic abundance and ingenuity. Larders and fridges are packed with jams, sher-

bet, cheeses, pickles, cured meats and dry goods. In the past the houses of the rich were thrown open to the poor. At all social *Leisnig* is entertainment is important during the month, and *Kumadan* can be costly. There are few special foods for *Kumadan*; it is the number and variety of dishes that mark the fast, and the richer the better. The sweets above most enthusiasm – pastries, halva, fruits in syrup and *gulace*, the special dessert of *Ramadan* come at the end of the *fast* meal. Many more are likely to be consumed during the night.

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Perhaps the most remarkable combination of fasting and feasting was the coronation dinner in 1916 of the last king of Hungary, Karl IV, described by the playwright Ferenc Molnar. The king and queen sat at a high table and 19 noblemen advanced in procession, each bearing a gold platter of food. They stopped, bowed and walked on, still bearing the platters. No-one ate anything. The king raised his glass in a toast; the guests replied and the food was carried out of the hall. It was then transferred to ordinary dishes and taken to wounded victims of the First World War – a symbolic fast at the country's most important feast.

The pious then withdraw to their *höfe*, but the general tendency is to visit family or friends or go to cafes or parks. People sleep little during Ramadan is alive and brightly lit by night. The crowds are in festive mood, the cafes and food shops, especially those selling sweets, are busy. The night ends with *suhur*, the final meal before sunrise.

Thus the month of *Ramadan* is also the time for gastronomic abundance and ingenuity. Larders and

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TRAVEL - EUROPEAN BREAKS

A city of secret sensualists

WHAT IT, I asked myself late last rainy night, that makes Lisbon different from other European capitals? Sitting in a café far from the city's port, I was watching the marketmen, lorry drivers and fishwives who unload fresh produce for the early morning Mercado da Ribeira. Filling the room with their heavy outdoor clothing and rough manners, they seemed to have few interests that and hungry working people the world over would not share.

Yet when one of their company stamped with a bunch of red carnations found dropped in a flower-market gutter, there was sudden emotion and admiration all around. Thick, work-hardened fingers twirled delicate long stems. Noses and bristly mustaches thrust into blooms. Colour compared and argued over. When these hardened marketmen finally trooped back into the cold night for more heaving and hauling, it was with the flowers still clutched in their hands.

The answer to my question was before me. Lisbon has a quality that makes it wonderfully different and an intriguing place for a short break. It is a city of secret sensualists.

A Mediterranean-style appreciation for the sensual things of life might not, at first, seem part of Lisbon's nature. The citizens of the Portuguese capital are not given to the spontaneous emotional outbursts of the Romans or the flamboyant behaviour of the Madridians.

In some ways Lisbon is more like the British - they are conservative in style and dress, have the

discipline to queue patiently at bank and bus stop, and look boasting and overstatement as bad form. Wholly different is climate, Lisbon is a mix of un-Mediterranean qualities, restraint and introversion.

In turn, the physical make-up of the city is formal and

as ordered as any city built nearly a dozen hills

be. The central part of town is made

of wide processional avenues,

geometrically laid gardens and a

commercial district of neatly bisecting

streets. Everywhere are the rather stiff monuments honouring an imperial age when Portuguese colonies on three continents made the city of the world's richest.

But first impressions in Lisbon are deceiving. Behind the controlled facade of every Lisbon - market or magistrate - lies an emotional *l'art vivant*. Here is a connoisseur with a practised eye for the fine detail, a palate that appreciates the subtleties of good food and wine, attuned to the expressive range of sensibility of song. And these qualities are reflected in the city itself. The massive architecture of empire lies in natural and spontaneous beauty, a marvellously chaotic accretion of 2,000 years of daily life.

All this can be easily discovered in this compact and most walkable

longer require visas to Hungary or

Czechoslovakia. Germany, of

course, no longer exists. Bulgaria has waived the visa requirement for visitors to package tours. But visas are still necessary in Poland, Romania, Albania and the Soviet Union.

Czechoslovakia is leading the way to attract western visitors. The media spotlight which turned Prague into a year-round reawakened interest in the capital. Until late 1986 Prague was a popular destination for short breaks. Now the brochures proclaim the city of 100 spires as a magnet for music, art and history lovers.

Sovereign Cities and Special

of cities. Leaving behind the car - Lisbon driving and parking at any rate impossible - walk up into the hills overlooking the Tagus River and into Lisbon's most appealing quarter.

Here in the twisting, cobblestoned alleys of Alfama, much of it unchanged since medieval times, is made up of strong and simple elements: whitewashed plaster, red terracotta roofs, etc. But the decorative is the ordinary working people living is quite un-ordinary and transformed elements.

Building facades are with wrought iron-work, windowills and patios decorated with of flowers. Whole three-story walls are covered with glazed pattern. Even Alfama's laundry hangs overhead in a way that is charming.

much of Alfama's lived outdoors - by day neighbours gather round sidewalk grills to eat freshly cooked and drink wine. By night, bright moonlight reflecting off whitewashed walls and the hilltops of São Jorge, you wander snatches of that and evocative of forms.

fado that lies at the very heart of, perhaps explains, Lisbon's secret and emotional *fado*. Translated as "fate" or "destiny," *fado* is the haunting cry of a city that again and again has been subjected to invasion, destruction and subjugation. It occupied by the for 200 years, cowed by an Inquisition, subjected to

by no means all set in Barrio Alto, another hilltop quarter

overlooking the water, you find only more *fado* but great variety of restaurants, outdoor bars.

Unsung and unhonoured, Portuguese cooking is the great undiscovered cuisine of Europe, and the Barrio Alto is the place to run it ground. Fragrant fish, grilled prawns, pungent Arabic coriander and fine aged ports and sherrys are only some of the things whose colours wait through the streets of night. For the best of traditional

Portuguese cooking I would recommend *Pap'acorda*, *Barrio Alto*, or *Sua Excelência*, an intimate restaurant run by the hospitable Francisco Queiroz in the Lapa district.

If you like your fish wriggling fresh, take the half-hour train ride along the Tagus estuary to Cascais on the coast and try the *Belém* or *Peniche*. Cascais is no longer just a sleepy little fishing village; now it has the unmistakable air of a prosperous southern seaside resort. But its colourful fishing boats still ride on the surf every day to deliver to quayside inns and restaurants some of the most delicious fish anywhere.

Nicholas Woodsworth's trip was arranged by the Portuguese National Tourist Office (London: tel: 071-493-3873). He flew with Portuguese Airlines (tel: 071-822-2000) and stayed at Lisbon's *Ritz*.

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EASTERN EUROPE

Capital choice for travellers

Brexit (tel: 0293-560777) two-night stays in Prague from £175. The Sovereign price is typical offered in cities other companies.

Independent travellers will find it difficult to worthwhile saving on tour prices unless they are prepared for rough-and-ready accommodation.

Airline tickets are available in Prague

071-837-5400; once there, the state room services - Cedok and Pragotel - can find you cheap hotels. However, you may find yourself wasting time trying to secure a room for the night.

The scarcity of rooms has deterred some operators, such as British Airways Leisure Traveller, from including Prague in this year's *Travel* brochure. Ian

Greenleaf, who runs his programme is the most comprehensive on the market, says Moscow went through a similar problem a few years ago. However, the Union is not followed the

example by easing the requirements and allowing visitors to choose where they stay. Tour groups in Moscow or Leningrad are accommodated by Intourist, the holiday company, which charges higher-than-average prices for less-than-average hotels.

The cheapest two-night stay in Moscow costs almost £100 more than a similar break in Prague or Budapest. Budget travellers should perhaps consider a twin-centre tour of Moscow and Leningrad, which is value. One of the best deals is offered by Thomson Citybreaks (071-387-6334), which sells a long break taking in both cities

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Living history: Lisboans have memories of a rich imperial age when their empire spanned three continents

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TRAVEL - EUROPEAN BREAKS

THE FIRST thing you notice about Stockholm is that it is no small. It is so clean, so hygienic, that it is like stepping into a large open-air hospital: not even the faintest whiff of pollution creeps up your nostrils, not even the faintest odour of stale communists in the metro. It is pristine.

Somewhere out there, you imagine, there must be a marketing man ready to award Stockholm first prize in Europe's cleanest capital competition as a way of wooing the tourists. Except you cannot help feeling that Stockholmers do not really think any tourists. In any other capital you could wander around looking lost and a local would probably stop to redirect you, but you might strike up a conversation in a bar or cafe with a stranger.

Stockholm is not like that. I lived there for three years and away with the feeling that the Swedes have no curiosity about foreigners, no desire to question them. I live outside this cold outpost of Europe. Most Swedes are well educated, well informed, travelled. They already know everything about the outside world. And when they come home to Sweden, they hunch up their shoulders to the cold and the rest of humanity.

Stockholm is small, compact and very beautiful. It is a clutch of islands at the point where Lake Mälaren flows into the Baltic. On a cold day in January the icy black gushes past the parliament building carrying ice shelves from the lake out to sea. The skyline is dotted with tall copper rooftops glistening with snow, the low profile interrupted here and there by the church spires of a modern, unorthodox people. On a bright day the sun sits low in the sky and the light bounces off the white bellies and funnels of the yachts and steamers.

It helps if you like boats. The love boats. There are restaurant boats and a youth hostel boat in Stockholm. In summer the boats travel from the centre of town and scatter like migrating swallows over the thousands of tiny islands that speckle the Baltic sea around Stockholm - rocky islands like Fläderholmena, the pretty fishing port of Södertörn, lovely Stegesund, Djurö, and so on. Strindberg wrote long portraits of the islanders,



Time for thought: Stockholm's leisure pursuits tend to be intellectual rather than physical

A scent of Stockholm

Sara Webb returns to Europe's cleanest - and most insular - city

describing them as simple ignorant fisherfolk. But today through the gun ports and the Wässka after a maiden journey of 1000 miles, they commute to town by boat, returning to the tranquil archipelago in the evening to sit at the water's edge in the pale midsummer light.

These days the Swedes are known for their superior safety standards - their indestructible cars, reliable washing machines and commitment to health. But in the early 17th century they were warmongers and built an empire around the Baltic with the help of a strong navy.

The most famous of their warships was the Wasa. Built by a Dutchman, she took three years to complete. She set sail in 1628 from Stockholm's shipyards, her gun ports open to show off to the crowds ashore the gilded lions' heads glaring above the guns' muzzles. But a gust of wind tipped the ship

sufficiently for her to sink in the Baltic, never to be seen again. An inquiry into the disaster failed to produce any answers, but the Swedes were not the only ones who began salvaging her. She was lifted out, restored, and recently moved to a new home in Djurgården, where she now sits with boats, this one of the more interesting items in Stockholm with their traditional showing how uncomfortable board such warships.

The Wasa is on Djurgården, an island which approximates to a village in this fastidiously tidy city. You can walk through the open fields and see pheasants and the occasional deer or hare. It is a pity back and forth between Djurgården and Gamla Stan, the old part of town which was the centre in the 13th century.

By the late 17th century Gamla Stan had degenerated into a slum, but the tall houses were given a new lease of life by tourist shops moved in, in the centre is Storkyrkan, the cathedral which has a striking statue of George and the dragon. Around the corner is the main square, the marketplace and the public square.

At Christmas there is usually a fair where you can buy ginger biscuits and mulled wine. Overlooking the beautiful old stock exchange is a masked bull inspired by Verdi's *Un Ballo in Maschera* and his theatre was left untouched by fire. These days it is used for concerts and operas (but be warned, the benches are extremely uncomfortable and designed for small bottoms). All the guide books show you the thunder machine, which is a barrel of rocks that rolls across the stage.

If you do not mind listening to Swedish lyrics, you should try the Folkköpera on

main, Stockholm's island. The company has a reputation for "offbeat" productions: their current production of *The Tales of Hoffmann* puts the orchestra in the centre of a spiral and has the cast bobbing up and down among huge dolls and soapbuds.

There is not much to do in Stockholm's island.

The beautiful people, the clear-skinned blonds, are happy to queue outside the "right" venues in minus 12 degrees. They will have eaten well, up with alcohol, given that prices in the bar are prohibitive. If your beer costs £5 a pint and your meal an ordinary wine a mere £15, well, because the Swedes high and the government would prefer not to enjoy alcohol.

The Swedes drink milk or mineral water at lunchtime and that they do not go back to the office with a whiff of booze on their breath. I will never forget the chorus of *disapproving* I received this morning when I stepped on a bus and the wine which I had collected before I clanked noisily, interrupting their newspaper-reading.

There are varieties of herring dish, ranging from pickled to putrid, and food front, fish is usually excellent.

There are

short breaks and holidays by car, character throughout France and Belgium, and also parts of Italy. It also has a variety of special interest packages including four packages for three nights dinner, bed and breakfast at Moulin à Membre, a former windmill, overlooking Stockholm as the balloons drift above the city in the middle of the old-fashioned band, far below, the ancient ferry slips slowly through the islands towards Djurgården.

Never, in my life, have I had a telephone call to the French government tourist office in London answered; nor do I know anyone who has. If you have unlimited space time, the number is 0800 161 1616 and the fax 071-794-6554. Far better, write to the tourist office at 100 Piccadilly, London W1V 9AL, and ask for a copy of its *Travel in France Reference Guide*. It is free, but they want 60p for postage.

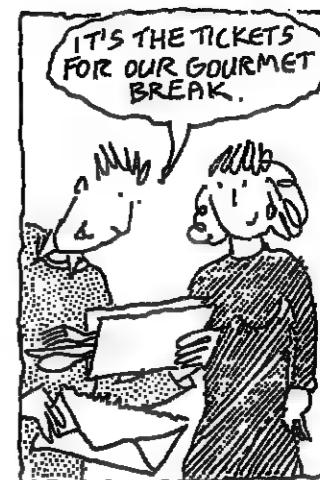
The guide offers extensive and accurate information, lists car hire to France and a flight in Dublin from £25; or a flight in Dublin from £150.

French frolics

FRANCE seems to be a bumper touristic year, writes Michael Thompson-Noel, so haul yourself round to your travel agent before Gulf

war and the new world of buying the prospect of a flood of bookings for Channel crossings any closer.

A vast range of companies handle holidays in France, including flights at the Hotel Wilson in Nice (the Nice and Monte Carlo operas, £230-£245 per person) and four nights in Paris (opera, ballet, museums, £415-£515 per person). The brochure also takes in Austria, Czechoslovakia, Denmark, Ireland, Germany, Italy, Norway, the UK and the UK four or five nights at Malvern festival, Worcestershire: Abbey Hotel, the daytime given to tours of Elgar and Shaw country, £110 per person.



Ices and caviar, going cheap

Tim Burt profits - furtively - from Leningrad's black market

THE WOMAN in the fur hat was nervous. She made sure no police were watching and then handed me the caviar. "Put it in your pocket," she said. "Nobody sees us as business." I gave her the roubles, counted them: we parted with a hand against the Arctic wind.

The transaction took 30 seconds. She was a profit and I saved 240 on the London price for sturgeon's roe. It was one of many bargains on the icy steps of Finlynski Station, the railway terminus of Leningrad, in Petrograd. If the Bolsheviks had arrived there today someone would probably try selling him a fur hat, a military watch or an

A statue of the great man, marking the spot where he stood on an armoured car and cheered the citizens to revolution, faces away from the station. The black market traders indulge in capitalism literally behind Lenin's back.

Meanwhile, the city spread out in front of him like the rest of the Soviet Union's most popular tourist destination. But the influence of Leningrad is little to communism. The city's pulling power is based firmly on its reputation as the capital of imperial Russia.

Visitors do not come to enjoy the Soviet system: they come to see the remnants of old St Petersburg: the baroque palaces, gold-domed churches and the theatres built before 1917.

None of this would have pleased Lenin. And his statue outside Finlynski Station appears to be waving its fist at the main object of his hatred: the Winter Palace, home of the tsars and the city's most visited site.

The monument to Lenin is separated from the palace by the Neva river, the freezing waterway that flows through the city and around the 101 islands on which it is built. Lenin shares the left bank of the Neva with the cruiser Aurora, the warship that fired its guns to signal the start of the October revolution.

The Winter Palace is on the opposite bank together with St Isaac's cathedral, one of the world's largest, and the Alexander column, a single block of granite topped by a 150ft-high tower to celebrate the defeat of Napoleon.

In 1917 the Winter Palace was stormed by angry citizens. Today, city residents form an orderly queue to get in. The grand hall used originally by Catherine the Great now houses ticket counters where visitors pay for admission.

The palace, known as the Hermitage, boasts one of the world's greatest art collections. The royal picture gallery started by Empress Catherine has become a stunning museum with 2.7m works of art. Shuffling groups of visitors - some with the weathered faces and rural dress of Trans-Caucasia; others in the sneakers and Levi's of the West - glance briefly at paintings by Matisse, Cézanne, Van Gogh, Picasso, Gauguin, Raphael, El Greco, Rembrandt, da Vinci, Michelangelo, etc.

But many visitors spend as much time looking at the decor as the exhibition. The Kafe Literaturni, one of the most exclusive in the city, was recently offering a five-course meal with wine for around 30 roubles - about \$16 - the government

quoted exchange rate. Diners paying in hard currency, however, could have their bill at \$55.

The demand for hard currency has sent the black market exchange rate spiralling. Taxi drivers regard themselves as mobile deans offering a 10-15% profit on their dollars. Even the state-owned banks and airport banks have exchanged the way beyond government levels of around five roubles to the dollar.

Tourists are thus regarded as walking gold mines. With a wallet full of dollars you may live like a king. If you risk changing to the black market, Leningrad suddenly becomes one of the cheapest cities in the world. Money on the street have been known to offer up to 70 roubles for a dollar. Such rates make a mockery of prices.

Playing the black market is costly. You may be arrested by plain policemen or have your money seized by customs officials. The authorities, however, have down on the economy, itemised receipts of purchases made in the Union. But no black market trader is going to put his name to a deal which undercut official prices by 100 per cent.

Without a receipt you are in trouble. The starkly-worded warning: "If giving the information shall be liable under the laws of the USSR."

It is better to get rid of your roubles on a spending spree around the city's restaurants and bars. Even at the legal exchange rates offered by hotels, a seat for the spectacular Theatre of the Ballet works out at 72 roubles. A ticket to The Hermitage costs 27 cents.

But it is often only independent travellers who take advantage of their spending power. Tour groups tend to buy souvenirs at expensive hotel shops and pay for their excursions in hard currency. In a bizarre parody of the Soviets queuing for luxury goods, western visitors queue each morning in their organised tour groups for their pounds and dollars for organised tours.

Intourist, for example, will book a seat at the Kirov Ballet for between \$30 and \$50. At the box office the same seat is sold for a few roubles. Similarly, queues to the summer palaces at Pavlovsk and Pushkin are pricey if you book them in hotels. It costs a few kopeks by public transport.

Leningrad's most reliable public transport - the metro - is also one of its best attractions. Though not on the same scale as its Moscow counterpart, the Leningrad metro boasts similar stations lit by chandeliers and decorated in marble. The five kopek fare - 0.9 cents - allows you to travel anywhere from Komsomolskaya at one end of the system to Prospect Veteranov at the other.

These outlying stations serve modern and impressive suburbs where the grand architecture of the city centre gives way to grey apartment blocks and rutted side-walks. Dirty snow is piled up at streets corners where it freezes each night into a black crust.

Tim Burt travelled c/o British Airways (London, tel: 081-897 4000) and Intourist, the Soviet state tour agency (London: 071-538 3202).

Hello... goodbye: black market traders indulge in capitalism when Lenin's back is turned

all this opulence. Thick-set ladies wrapped in shawls and woolly stockings scrutinise the visitors and growl at anyone who dares run a hand over the invaluable items. Sitting on hard chairs in their well-worn clothes, they are as out of place as a queue outside the ice cream shop.

Soon, the officials may not be able to afford all the kopeks they want, for the latest measures aimed at bringing the Soviet economy under control are expected to involve stiffer increased prices. Everything from ice cream to caviar will become more expensive. Many restaurants frequented by tourists are already reluctant to accept payment in roubles.

The Kafe Literaturni, one of the most exclusive in the city, was recently offering a five-course meal with wine for around 30 roubles - about \$16 - the government

quoted exchange rate. Diners paying in hard currency, however, could have their bill at \$55.

The demand for hard currency has sent the black market exchange rate spiralling. Taxi drivers regard themselves as mobile deans offering a 10-15% profit on their dollars. Even the state-owned banks and airport banks have exchanged the way beyond government levels of around five roubles to the dollar.

Tourists are thus regarded as walking gold mines. With a wallet full of dollars you may live like a king. If you risk changing to the black market, Leningrad suddenly becomes one of the cheapest cities in the world. Money on the street have been known to offer up to 70 roubles for a dollar. Such rates make a mockery of prices.

Playing the black market is costly. You may be arrested by plain policemen or have your money seized by customs officials. The authorities, however, have down on the economy, itemised receipts of purchases made in the Union. But no black market trader is going to put his name to a deal which undercut official prices by 100 per cent.

Without a receipt you are in trouble. The starkly-worded warning: "If giving the information shall be liable under the laws of the USSR."

It is better to get rid of your roubles on a spending spree around the city's restaurants and bars. Even at the legal exchange rates offered by hotels, a seat for the spectacular Theatre of the Ballet works out at 72 roubles. A ticket to The Hermitage costs 27 cents.

But it is often only independent travellers who take advantage of their spending power. Tour groups tend to buy souvenirs at expensive hotel shops and pay for their excursions in hard currency. In a bizarre parody of the Soviets queuing for luxury goods, western visitors queue each morning in their organised tour groups for their pounds and dollars for organised tours.

Intourist, for example, will book a seat at the Kirov Ballet for between \$30 and \$50. At the box office the same seat is sold for a few roubles. Similarly, queues to the summer palaces at Pavlovsk and Pushkin are pricey if you book them in hotels. It costs a few kopeks by public transport.

Leningrad's most reliable public transport - the metro - is also one of its best attractions. Though not on the same scale as its Moscow counterpart, the Leningrad metro boasts similar stations lit by chandeliers and decorated in marble. The five kopek fare - 0.9 cents - allows you to travel anywhere from Komsomolskaya at one end of the system to Prospect Veteranov at the other.

These outlying stations serve modern and impressive suburbs where the grand architecture of the city centre gives way to grey apartment blocks and rutted side-walks. Dirty snow is piled up at streets corners where it freezes each night into a black crust.

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BOOKS

Portrait of an action painter

WHAT is in your mind's eye, when I intone following names - Pollock, Rothko, Kline, De Kooning...? In one perhaps an image of paint dripping riotously all over the canvas; in another, great thick solitary band of colour floating majestically like chords at the beginning of a symphony. Now's the try again - Who? GUSTON. Philip Guston. The time? 1940s, '50s, and the fault dear Brutus, lies in ourselves. There was a big Guston retrospective exhibition in London at the Whitechapel Gallery in 1986. There have been other opportunities to see his paintings in Britain since then. All, many, admittedly, but some.

Guston was a friend and colleague of the artists mentioned above. He is just as important a stylistic innovator as any of them. One time he was known as an abstract expressionist and as an action painter, though not entirely happy about those labels. His daughter, Musa Mayer, in her memoir of him, *Night Studio*, describes some of the heady atmosphere, the nocturnal alcoholic discourse in the Cedar Street Tavern, Woodstock - the town then an artists' colony long before it became a festival venue - when the rationales of those styles were being hammered out.

There is a fine example of Guston's painting in the abstract expressionist section of the Museum of Modern Art, New York. It is called "The Clock" and dates from 1947. The work is a rich mosaic of orange, red, green and black; broken fragments of pigment blown together in a way which - without the aid of the painting's title - one would connect with any kind of timelessness. Or, as the guide puts it: "In this picture his loaded and slow-moving brush-strokes suspend visibly prolong the painting gesture, creating strongly felt abstract metaphors for doubt, resolution, disquiet and calm, through sensitive elaboration of the forms."

If Guston had continued in the run of his career visibly to prolong his slowly moving brush-strokes, he might be much more known in the UK than in his investment-ratting in the US might have been much higher than it was. But he didn't. He got bored with that way of painting, or rather, put less crudely, it no longer responded to what he about the world. After his retrospective exhibition in the Guggenheim Museum in 1981, Guston went through a prolonged crisis during which he deconstructed his style. Then, in the beginning of the

1970s, Guston began to show paintings that seemed to derive from the journalistic strip-caricature technique he had mastered when he was a penniless art-student migrating from the Jewish quarter of Montreal - his family name was Goldstein - to the New York of the Depression. In the period of New Deal which followed Guston was fortunate, along with other artists who later achieved eminence, to find a job as painter with WPA (Works Progress Administration). His assignments consisted of devising communal paintings for public buildings with titles like "Work and American Way". Guston and his fellow-artists followed in the steps of the great Mexican mural painters. He and his teacher Kadish actually worked on murals in Mexico. Guston's final style had elements in it of both the cartoon-framed and the large-scale murals. It consisted of boldly drawn images referring to things "out there" in the real world.

NIGHT STUDIO: A MEMOIR OF PHILIP GUSTON
by Musa Mayer
Thames & Hudson £28.95, 237 pages (paperback)

world, in an ironic Popeye-like, black-and-white film. Chief among these images are the big ones for eyeholes of the Ku Klux Klansman; other continually recurring images are clenched male hands; cigarette stubs alight with smoke curling; coffee-mugs; metal joints and rivets; dials; hobnailed boots. The paintings which showed these objects all contained a hidden scenario of menace and violence which the spectator sees for himself from his own anxieties.

When they were first shown in the New York art world were very dismissive of them, including David Salle, who in his reviews of Guston from his recently published collection, "As political statements they [Guston's paintings] are as simple-minded as the theory they denote," he wrote in *Time*. The only exception was Harold Rosenberg in *The New Yorker* who saw the point of Guston's new manner immediately. He sensed the ambience of one painting, *Dashboard*, in *Red Harvest*. "Put simply," said Rosenberg in an article called "Liberation from Detachment", "Action painting is anything, while Guston's paintings are. The 'scandal' is not that this leading Abstract Impressionist has introduced narration and social comment but he has done so to make the problems of painting seem secondary".

It was not until the retrospective exhibition in San Francisco in 1980, the year of the painter's death, that universal recognition finally came. In this book we see that. His public face as a man of apparent talent, and discipline, was driven willy-nilly into unfashionability by his own integrity. *Night Studio* also, the private face vividly and candidly shown by his only child, a boy that is torturing, with other people, monotonously inconsiderately the family, insomnia, in-drawn. Later, in adult life, Mrs Mayer broke away from the domination of her father and became the mother of two boys and, profes-



A gargantuan exhibition called "Mexico, Splendors of Thirty Centuries" has been the highlight of the winter season at New York's Metropolitan Museum, bringing together works of art and objects ranging from the Pre-Columbian period to this century. To coincide with the exhibition the Museum

published a sumptuous volume, with every exhibit in colour and with a substantial foreword by Octavio Paz. Seen here is "Sailor at Lunch" by Diego Rivera.

(Mexico, Splendors of Thirty Centuries - Little, Brown & Company £45, 712 pages)

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Mayer suggests Roth was his father for the remainder of his life. Mrs Mayer gives a lucid portrait of her mother, Mrs Guston, as a painter in her youth. She had no talent from the start whose career had to take top priority. The utter demandingness of the genius in their midst is what comes across most emphatically. Days on end, she would not be seen in the family home in Woodstock except at occasional meals. She would be wrestling with his angel in her own separate studio. Then he would disappear more completely for long periods in the world.

One of Guston's friends was the novelist Philip Roth. Roth

Anthony Curtis

Fiction

Of spies, Nazis and morgue humour

AMOS OZ has long enjoyed a reputation as Israel's distinguished novelist, a man of no hobbies with prime ministers and is generally considered to be his finger on the pulse of the nation. When he speaks, Israelis listen. In the novel that 10,000 of them have bought, *Moab Is My Brother*, the first day of publication in Hebrew, now out in English, ably translated by Michael de Lange, and we can see for ourselves what the book is all about.

Moab Is My Brother is the hero, a senior Mossad agent, and the higher things. His life has been turned upside down by the fact that his wife in a sudden and totally avoidable accident, rather than continue with his job, he opts for early retirement instead, moving house and setting up a fresh life, a new attempt to try and pull himself together. He

mother, mother-in-law and teenage daughter with him, gathering them around him in Tel Aviv as he looks over his life, remembering his wife as she was, remembering other women too, brooding over what might have been, trying to make sense of it all. And that, more or less, is it. Not a lot happens in the novel. It invite Yoel back for his last job, declines, and takes his place. It's a bit like a book - not about Mossad, not about anything much except the bleak philosophy of a man who is all and is particularly like what he saw. It is an interior novel, written with customary attention to detail but a little dull sometimes. It's concerned perhaps with inner musings, the pace and plot. Fans will undoubtedly enjoy it, who like a lot of action in a book might not be able to try and pull himself together. He

Still on a Jewish theme, Irene Dische's first novel *Secrets* has already sold an astonishing 100,000 copies in Germany - astonishing and the author is not even German at all, but an American of Austrian-Jewish origin. The plot does not stand up to scrutiny, but is not meant to. The author's sense of the absurd is engaging enough, if a little eccentric. Quite why the novel has gone down so well in Germany however must remain a mystery, although books with Hitler on the cover usually sell pretty well - in other countries, if not always in his own.

Gert Hofmann's *Before the Rainy Season*, translated from the German by Edith Cowen, tells the story of an elderly Jewish son-in-law. His meanwhile works in New York city morgue, an affair with a colleague and shows Carl's granddaughter what a human heart is like. Irene Dische's own mother performed

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autopsies at the morgue, so we must presume the author knows what she's talking about.

It's a whimsical story, a slightly weird blend of Nazism, Catholic abstraction and morgue humour, if there is such a thing. The plot does not stand up to scrutiny, but is not meant to. The author's sense of the absurd is engaging enough, if a little eccentric. Quite why the novel has gone down so well in Germany however must remain a mystery, although books with Hitler on the cover usually sell pretty well - in other countries, if not always in his own.

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Gert

Fashion shots to turn heads

William Packer admires two photography exhibitions at the V&A and the Barbican

THERE IS nothing like a fashion photograph in an old magazine for giving one pause, and an exhibition devoted to them is irresistible. *Appearances*, now filling the 20th Century Gallery of the Victoria & Albert Museum (until April 23) is just such a treat, but an equivocal and teasing treat for all that. It marks the publication of what is literally the book of the exhibition, by Martin Harrison (Jonathan Cape: 312 pp: £35 until May 31, £40 thereafter), which carries every image shown and more besides. Subtitled *Fashion Photography since 1945*, the detailed intention to offer the definitive study of the subject is somewhat belated.

The book is indeed beautiful and the show well chosen to represent its full scope, but together they raise rather more questions than they answer. The problems are of attitudes and assumptions, vaunted claims and over-seriousness, all born perhaps of the excited, febrile world that supplies the subject-matter and the medium's own insecurities. Certainly the fashion world takes itself as seriously as its memory is short.

Martin Harrison's premise is that fashion photography as a peculiar discipline has been transformed utterly since the Second World War. Plus ça change... it would be nearer the truth to say that it has

simply taken full advantage of the wider opportunities afforded in that time, through technical developments in printing, and the growth of mass publishing. Fashion photographers have been pointing their cameras at pretty girls ever since the first fashion model ever had her equals in a clutch, if that is the collective name we give to the collective young models, and suddenly fashion was out of the hot house and into the street.

In truth it had all been done long before, but then the whole point of a myth is that it should not be new. Harrison seems to accept it, saying that "before 1950 there were only two (British) fashion photographers of any significance, Cecil Beaton and Norman Parkinson", but he does then discuss the 1950s, mentioning Clifford Coffin and John French, Bill Brandt and Anthony Armstrong-Jones, if not Henry Clarke. If those young photographers and their beautiful girls of the early 1950s should have seemed to be bringing in a new and golden age, might it not have been that the perspectives of youth are necessarily low, narrow and short?

Fashion photography is a technical discipline serving its particular commercial market through the publicity afforded by the fashion magazines. Who leads and who is led is a moot point, for such publicity is in the editor's gift, while photographer, fashion designer and editor alike are constantly test-



One of Man Ray's portraits at the exhibition devoted to him at the Barbican gallery

ing themselves and public taste and tolerance at large to see just how much they can stand.

But none of this has any bearing on the quality of the photographs as photographs.

Harrison tells of an editor agonising over a brilliant image of a dreadful frock, and no doubt all three parties were delighted at her final decision to publish.

Good fashion photographers

are simply good photographers, and it is not by chance that so many of the best of them come to it marked by wider experience. The images they create are here to be savoured for what they are.

Paintings that preserve the image of the nation

IN AN unprepossessing civil service office block, facing onto the Bankside power station in south London, Dr Wendy Baron presides over the Government Art Collection. It is one of the largest in the UK, consisting of 15,000 works of art, few of which languish unknown. Around 95 per cent are put on loan, a half-decorating the offices of Government Ministers, a half our Embassies and official residences overseas.

As much as the British Council or the Foreign Office, Dr Baron is responsible for the overseas image of the nation. When an Ambassador, or High Commissioner, makes small talk with a foreign dignitary, he, or she, often uses the pictures on the Embassy walls to break the ice. They represent the nation now - and its view of its past.

When an MP finally makes it to Minister it is to Dr Baron that they go to decide on their office decoration. She is currently waiting to hear from the Prime Minister on his plans for 10 Downing Street, which was modelled by Mrs Thatcher on the lines of a small but elegant 18th century villa. Mrs Thatcher took a great interest in the Fund, to the extent that she insisted it bought a picture by Sir Winston Churchill. Later she saw it as important for projecting the national identity.

Like all Government arts organisations the Art Collection struggles on against the financial odds. The maintenance costs of the collection rise remorselessly leaving less than £100,000 a year available for new purchases. Much of Dr Baron's energies are now devoted to conservation. Foreign climates can have a very deleterious effect on art and she has decided against buying any more works on paper. The political climate can be equally hostile - Dr Baron has just lost her first painting in over a decade following damage to the embassy in Mogadishu.

In practical terms the purchase grant has been falling slowly for years while the price of pictures has stormed ahead. Dr Baron can remember when she had the

funds to buy works by Auerbach, Kossoff, and Hodgkin during the year, and more of the rising generation of British artists who later commanded international reputations and prices in excess of £100,000 for each painting.

Now she buys just a handful of pictures and is usually plugging gaps. Ten years ago the Foreign Office decided that Ambassadors could not move their art around with them - it was too damage and expensive, and there was a growing tendency for them to believe that they actually owned the pictures. Now the aim is to smarten up each Embassy in turn, to reach an ideal, within tighter controls.

Washington, the most important, is currently getting the treatment. The outgoing

that they will bite deeply into next year's budget.

In the past Ambassadors and Ministers could raid the national collections for their art, in particular the National Gallery and the Tate. Now there are restrictions on such borrowings. Only 10 (and 11), Downing and Lancaster House can ask for something from the National Gallery and since all its collection is on view to the public its director Neil MacGregor needs some convincing before he agrees.

The Tate has over 70 per cent of its holdings in its vaults, but most of these are on paper. It will lend, but for a maximum period of five years and only if it can spare the work. It has just agreed that the new Minister for the Arts, Tim Renton, can borrow a Peter Blake. Each new Arts Minister feels forced to refurbish the office. Out goes David Mellor's strident John Hoyland; in comes Blake and Howard Hodgkin. But like Ambassadors, Ministers are not now encouraged to move around the Collection. The aim is to let it settle.

There is little great British art in our embassies overseas. Paris has a Turner and Roma a fine collection of Italian masters bequeathed by the wife of a former ambassador. One of the finest paintings is a 16th century British artist who also worked in the US - it may not be great art, but with its Anglo-American connections, it makes the perfect talking point.

Dr Baron does not always have to be diplomatic in her choices and is at liberty to follow her own judgement. Another recent buy was a triptych by a young artist Harriet Hill that she saw, and loved, at a private view. She has yet to find the perfect spot for it. Usually the pieces fall into place. Lisbon needs some attention; the Portuguese born Paula Rego is regarded as one of the finest contemporary "British" artists and Dr Baron is hoping to buy one or two Regos, but is well aware of scope for small talk there.

Antony Thorncroft on the art collection which furnishes government offices and embassies

Ambassador filled two important spaces with his own paintings and Dr Baron now has to find relevant replacements. She bought, at auction, a portrait of the Founder of the American Philosophical Society painted by Robert Edge Pine, an 18th century British artist who also worked in the US - it may not be great art, but with its Anglo-American connections, it makes the perfect talking point.

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The set comes with generous documentation, a couple of typically fascinating essays by Richard Taruskin, a quite irreverent article on Shalyapin's connection with the opera, and a lucid guide through the maze of *Khovanshchina* editions.

In that textual respect, however,

this performance is something of a compromise: it uses Shostakovich's orchestration, which is reckoned to come closer to Musorgsky's sound world than Rimsky-Korsakov's highly coloured version, but

grants to it Stravinsky's "completion" of the final scene,

in effect a choral fantasy on Musorgsky's themes compiled for Diaghilev in 1913. It does not quite fit. But first-class

Khovanshchina are not so plentiful on disc that this one's minor shortcomings should make anyone hesitate too long before acquiring it.

Andrew Clements



Detail from 'Byzantine Lady' by Vanessa Bell, c.1911-12, which hangs in the British embassy in Bonn

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Right Russian sounds

lachovsky's *The Queen of Spades*, here with unflinching directness, if not consistent beauty of tone; it is brave, challenging singing and generally comes off well. There is to say an enchanting Lise from Stefka Evstafieva, but no great largescale life. Penka Chakarov and a decent enough Tchakarov.

In practical terms the purchase grant has been falling slowly for years while the price of pictures has stormed ahead. Dr Baron can remember when she had the

ambassador filled two important spaces with his own paintings and Dr Baron now has to find relevant replacements. She bought, at auction, a portrait of the Founder of the American Philosophical Society painted by Robert Edge Pine, an 18th century British artist who also worked in the US - it may not be great art, but with its Anglo-American connections, it makes the perfect talking point.

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Czech music after the revolution

THE PRAGUE production of Martinu's opera *The Miracle of Our Lady* offers some insight into the current health of Czechoslovakia's music institutions. On the surface, all is well. The programming of a work with a religious theme would simply not have been possible 18 months ago, because of the political censorship exercised by the Communists. The performance is reasonably well attended. Seat prices have not yet begun to reflect the rocketing inflation elsewhere. Despite the trimming of state funds for culture, the National Theatre can still offer more than ten open performances each week at its two main venues, and the axe has not yet fallen on any other major state-funded ensemble.

Czech emigres are leading the way: the Vienna-based conductor Martin Turnovsky

showed what is possible during his recent concerts with the orchestra in Brno, Pilsen and Prague, his first in Czechoslovakia for 20 years. At a stroke he transformed morale and playing standards. His programme of Dvorak, Debussy and Stravinsky with the Prague Symphony Orchestra had all the virtues of old-world music-making - cleanly sculpted performances, free of idiosyncrasy or blemish. The warm, integrated sound and unforced musicality which Turnovsky drew from the orchestra is a vital part of the Czech musical heritage; it is a tradition worth preserving.

So, too, is the uncommercialised atmosphere of the Prague Spring Festival, which was bombarded with offers

Prague is paying the price for years of artistic stagnation, says Andrew Clark

from hard-nosed western marketing companies after the revolution. The festival has instead pulled off Czechoslovakia's first home-grown arts sponsorship deal, with the recently-privatised trading company Motokov. The deal will cover 70 per cent of this year's budget, and in the short-term at least, it should allow the festival to preserve its distinctive Czech character.

A more visible sign of home-grown cultural enterprise is the Prague Chamber Opera's "Best of Mozart" project. The company, run by a group of ambitious but inexperienced young stage directors and singers, has erected a temporary stage underneath the Smetana Museum next to the Charles Bridge. English-language posters splashed around the centre of the city proclaim an evening of "stage clips from W.A. Mozart operas" performed by the original Prague Mozart Company". With tickets costing three times more than a good seat at the National Theatre, the show is unashamedly pitched towards foreign visitors.

There is a growing fear that Czechoslovakia will suffer the same drain of musical talent to foreign parts that took place in the 18th and 19th centuries. The Czech Philharmonic Orchestra, the country's premier ensemble, recently lost two key employees to well-paid jobs in Germany. The most promising young singers, such as the lyric tenor Stefan Margita, who signed contracts in Vienna, Stuttgart or other German-language theatres.

But the quality is improving as Dr Baron's modern purchases make their way overseas. Suddenly there is a greater willingness to promote the Collection. This month the first of a series of illustrated monographs detailing the art on display was published, thanks to sponsorship by Christie's. It covers the Bonn Embassy, and gives a representative glimpse of how the Collection is made to work. The art ranges from 18th century portraits, such as that of the 3rd Duke of Marlborough, who died campaigning in Germany in 1758, to paintings by Paul Nash, Edward Burra and Vanessa Bell. There should be plenty of scope for small talk there.

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It is a spirited response to the new artistic freedom. But the fundamental problems in Czech musical life remain: rampant inflation, falling audience figures, low morale and the task of revitalising a culture that has been allowed to stagnate. The Czechs realise it will be an uphill struggle. The revolution has begun to recede. Much has changed. Much remains the same.



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ARTS

'Hard Nut' with heart

Alastair Macaulay enjoys Morris's Nutcracker

THE BEST choreographer working in Europe is about to leave it. Maybe you recall that, when Mark Morris staged his Roland Barthes trilogy *Mythologies* there two years ago, *Le Soir*, Belgium's most influential newspaper, reacted with the head-line "GO HOME MARK MORRIS." Well, now he is. Judging by some of his remarks about Belgium in interview, he won't be sorry. But will Belgium?

His last new project there will be seen in March: the dances for the new John Adams opera, *The Death of Klinghoffer*. Since *Klinghoffer* concerns the Achille Lauro affair, misgivings are already considerable and widespread. Yet you have to smile - Morris has turned to this tale of Arab terrorism straight after, of all things, *The Nutcracker*. Retitled *The Hard Nut*, the last new full-dance work he will make in Brussels, this proved a big hit with Belgian audiences and critics - Morris's only popular success there since his debut at the Monnaie, *L'Allegro, il Penseroso ed il Moderato* of 1988.

If you're sick of *Nutcrackers* ("Well, we are one more *Nutcracker* near death," wrote Richard Buckle once), Mark Morris's *The Hard Nut* is the one to see. It's probably the funniest and certainly the least *Nutcrackerish*. Morris has set it in the Swinging Sixties, with the Stahlbaum kids watching TV before the party, with guests all grooving in in a nightmare of Carnaby Street gear, and with Mrs Stahlbaum, Fritz Stahlbaum and the black family household all played en travesti. The Stahlbaums - like the household in Twyla Tharp's 1981 full-length *The Catherine Wheel* - are a cartoon of the American nuclear family.

Most *Nutcracker* producers go back to the great E.T.A. Hoffmann story, *Nutcracker and Mousking*, in the hope of forcing a little more narrative logic on Tchaikovsky's ballet; than the 1892 original seems to have had. No-one, however, can have managed to tell as much of the Hoffmann story as Morris. In Act Two of traditional stagings, the little heroine and her ex-Nutcracker companion arrive in Sweetsville and watch a suite of foreign dances; Morris, however, shows us the tale of Princess

Pirlipat and Drosselmayer's trip round the world in quest of the Hard Nut - all as recounted later by Drosselmayer to Marie, lying feverish on the sofa.

The hard nut is the MacGuffin of Hoffmann's story. But I'd guess that Morris means his title ambiguously: the hardest nut to crack is love. As Drosselmayer's story reaches a dizzyly rapid comic-book climax, his nephew cracks the hard nut; Princess Pirlipat is transformed into a ravishing beauty, and young Drosselmayer, accidentally stepping on the Mouse Queen, is about to turn into the Nutcracker... But at this, Marie interrupts. She loves young Drosselmayer. Our heroine has grown up. Mrs Stahlbaum presides over a flower-dance in celebration. Then, to

touching. But when her first love-duet with the nephew quotes gestures and partnering that we saw him do with his uncle in Act One, I'm less happy. I don't mind Morris's more peculiar implications about the nephew giving to Marie what he received from his uncle. I don't, however, really believe them; nor do I care for the way Morris underlines his point. *The Hard Nut* is best when it's not clear what Morris is saying, or when he says several things at once.

I'd rather see *The Hard Nut* than the best *Nutcracker* in Britain. Like everything Morris makes, it has wit and force. But the yardsticks for *Nutcracker* are still Balanchine's evergreen version for New York City Ballet, or Sir Rudolf Nureyev's dotty *Nutcracker Suite* in *Fantasia*. Beside those breathtakingly natural miracles, *The Hard Nut* is a tad contrived.

The Flower dance is the blindest fertility rite you can imagine, heavy and pretty and erotic at the same time, but it doesn't have much of its score's sweeping abundance.

The Snow ensemble is on the whole adorable, surely the best since Balanchine's and more crazy - with men and women in white bikini-tutus, some on pointe and some barefoot, and all of them referencing wonderful cascades of white newsprint snow from their hands. Yet this too has brief ruts when you know what will come next. And though you love the size of Morris's idealistic heart as you watch the big communal rite he stages to the great solenn downward scales of the Sugar Plum adagio, you never feel from the stage the majestic grand manner that Tchaikovsky makes so astonishing in the pit.

I saw *The Hard Nut* three times, and enjoyed myself more on each occasion. It receives delectable performances from everyone. The famous Sugar Plum solo, with its hushful celesta magic, is danced by Marie - barefoot - addressing young Drosselmayer in a rising transport of desire and emotion.

"Kids learn from grown-ups." *The Hard Nut* keeps spelling out. And when Marie begins her celesta solo with some delicate, pretty steps much like those we saw her mother do in Act One, that's

the Sugar Plum adagio, Marie and young Drosselmayer are lifted, brought together, initiated and blessed by every other character. The famous Sugar Plum solo, with its hushful celesta magic, is danced by Marie - barefoot - addressing young Drosselmayer in a rising transport of desire and emotion.

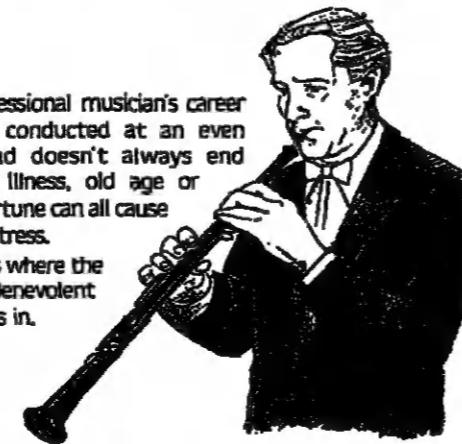
The Hard Nut reminds you how often Morris is absurdly poetic at the least likely moments. At the end of Act One, Drosselmayer walks alone through the snow, his scarf now white. As he passes, each dancing Snowflake comes down onto his or her heels and stands still, leaning slightly forwards, looking sideways after him. Suddenly these Snow dancers look like penguins, and compassionate ones too. He doesn't see them, but, tenderly, they wish him God-speed.

Andrew Clements

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TELEVISION

SATURDAY

BBC1

6.35 Open University 7.00 News. 7.10 Open University. 8.40 Saturday. 8.00 News. 8.10 Eggs 'N' Livo. 12.10 Weather.

12.15 Grandstand. With Diamond Lyman. 12.20 Football: The Fifth Round of the FA Cup. 12.30 Hockey: The European Nations Indoor Cup from Birmingham. 1.00 News. 1.10 Racing. 1.20 2.10 Racing. 2.20 2.40 Racing. 2.50 Rugby League: Round Two of the Silk Cut Challenge Cup. 3.50 Football: Half-Times 4.00 Bowls. 4.40 Final Score.

5.10 Weather.

5.30 Regional News And Sport.

5.50 Jim'll Fix It. Jimmy Savile makes more dreams come true for people of all ages.

6.25 Allo 'Allo! The British airmen are trapped in wine barrels in the castle cellars, but they must be rescued by the Germans.

6.55 The Paul Daniels Magic Show. More illusions with Paul and his guests.

7.40 Bergerac. Worries Bergerac arrives in England to find a run-away train has him at an Atlantic Waterside.

8.35 Don't Worry, Tom is expecting to be a father at any minute. Toby can't drive with a broken arm, and Felicity comes to the rescue.

9.05 News And Sport. Weather.

9.30 Midnight Caller. Nighthawks' Got The Blues. When Jack begins to work his bizarre behaviour raises concern, but he is reluctant to talk about his problems.

10.10 The Full Wax. Ruby's dream comes true when she skates with Chris Dean. She also goes on a blind date with David Sullivan of the Saturday Show and talks men and sex with Alan Rusbridger.

10.50 Film: The Steford Children (1987). A teenager discovers the dreadful secret of suburban Steford, which allows the menfolk to reduce their women and children to compliant servitude. A second sequel to the chiller The Steford Wives, starring Don Murray and Barbara Eden.

12.20 News.

12.30 Level 42 Felt Accompli. A record of a hectic year in the life of Level 42 onstage, offstage and backstage. Filmed in 1988.

1.30 - 1.35 Weather and close.

BBC2

6.35 Open University. 7.45 Mahabharat.

8.25 The Sky At Night. The Fastest Clocks in the Universe. Patrick Moore examines pulsars, the remains of exploded stars, which spin with incredible rapidity, emitting radio waves.

9.45 Film: Knights Of The Round Table (1953). Robert Taylor plays Sir Lancelot, riding into battle beside King Arthur, whose queen is torn between the two. Directed by Richard Thorpe.

All timings on all channels are subject to change due to coverage of the Gulf War.

5.35 Bowls. The Midland Bank World Indoor Championships. The final of the pairs tournament from Preston Guildhall, presented by Dougie Donnelly.

6.40 Late Again.

7.25 Newsview. Followed by Weather-view.

8.10 Rhythms Of The World. You Should Have Been Here Last Night. Slip-jig, slow air, polkas and slides. A journey through Ireland to discover the real roots of the country's music.

9.05 French And Saunders.

9.35 Jim's Sessions: Tall Tales. The Toy Shop. Saturday morning in Leytonstone, and a mysterious stranger arrives to disrupt the humdrum life of a toy shop.

10.00 Film: The Godfather (1972). Adapted from the bestselling novel by Mario Puzo. Marlon Brando, winner of three Oscars, chronicles the violent story of a New York Mafia family, fighting to establish supremacy in the American business world of post-WWII. Directed by Francis Ford Coppola.

12.50 Twin Peaks.

1.40 Close.

LWT

6.00 TV-Am. 8.25 Motormouth. 11.30 The ITV Chart Show. 12.30 Saint And Graveline.

1.00 ITN News. Followed by ITV; National Weather.

1.10 Grand Sportsmasters. Three more of the elite from past Sportsmasters compete for a place in the quarter-finals for 1991 Grand Sportsmasters. Hosted by Dickie Davies.

1.40 World Sport Special. Classic sporting moments from around the world. Followed by The Day. 1.50 Galt Ptg. 1.55 The Sherman Brothers' Christmas Classics.

2.05 Snooker. Pearl Assurance British Open. Tony Francis presents the highlights of one of snooker's most popular tournaments. Top names compete for the top prize money of £75,000, from Derby.

2.45 Results Service.

5.10 LWT News.

5.15 Beverly Hills. 90210.

6.40 You Bet!

7.45 New Columbus. Murder, Smokes and Games. Peter Falk returns in the role as the scruffy detective which made him famous nearly 20 years ago. In the first of three feature-length films, an egocentric film director uses his mastery of special effects to murder a leading friend. But he is the director as well, and ends up in the movie-star death of the friend's sister years before? Lt Columbus investigates.

8.30 ITN News And Sport. 9.05 Aspel & Company. Michael Aspel with guests Clive James, Boy George and Sharon Glass, star of Cagney and Lacey and the new series, The Trials of Rose O'Neill.

10.30 World Championship Boxing And Snooker. The WBO Middleweight Championship. Britain's world title holder, Chris Eubank, meets Dan Sherry at the Brighton Conference Centre. Followed by Snooker. Further coverage of the Pearl Assurance British Open from the Assembly Rooms, Derby.

1.00 Film: The War Of The Worlds (1953). Starring Gene Barry. 2.35 American College Football. Texas A & M.

3.25 Full House.

4.00 The Hiltman And Her.

5.00 The Twilight Zone.

5.30 ITN Morning News.

CHANNEL 4

8.00 Comic Book. 7.00 Trans World Sport. 8.00 The Channel Four Daily. 8.15 Channel 4 Racing: The Morning Line. 9.25 Sing And Swing. 9.30 Some Difference. 10.00 Free For All. 10.30 William At The Circus.

12.10 The Three Stooges. Flat Foot Stooges. Moe, Curly and Larry join the fire brigade. (B/W).

12.30 The Munsters. My Fair Munster! Marilyn Munster has boyfriend trouble. (B/W).

1.00 Film: It Should Happen To You (1954). Romantic comedy starring John Wayne and Elizabeth Taylor who becomes a celebrity when she plasters her name on billboards all over New York. With Jack Lemmon, in his screen debut. (B/W).

2.45 Channel 4 Racing. From Kempton Park. John Francome introduces today's racing, featuring the 3.00 pm Punt Placepot Hurdle (2m); 3.35 pm Galway Blasses Novices' Chase (2m 10 f); 4.00 pm Racing Post Chase (1m 4f); 4.40 pm Rendlesham Hurdle (3m).

5.05 Brookside. Oranges.

6.30 Right To Reply. Why are TV detective dramas so popular? - a producer and a writer explain why.

7.00 The World This Week including all the latest news from the Gulf plus a look at the black market in Lengang.

8.00 The Land Of Europe. Following a year in the lives of Iraja and Hemo Amatapura who live 100 miles north of the Arctic Circle in Finnmark, Norway.

9.00 LA Law.

10.30 4-Play: Itch. Alexei Sayle plays Filtblatt, an 'itch' hiker who develops a bad case of 'itch' hiker's block after he is set down on a roundabout on the way to Colchester. (B/W).

11.05 The Secret Cabinet hosted by Illumination Simon Drake, with Ricky Jay dealing a game of poker and James Randi investigating the world of astrology.

11.35 After Dark. With the publication on Monday of the Wool Report on the future of the textile industry the programme brings together those who work on the inside and the outside including a former gangland boss and the Greek millionnaire who was sent to Pentonville for possessing cocaine.

SUNDAY

8.00 Trans World Sport. 7.00 The Complete Skier. 7.30 Dr Snuggles. 8.00 The Bluffers. 8.30 Bobobots. 9.00 Early Bird. 9.15 Singing Anjali. 10.00 A Week In Politics including a report on the last week of campaigning in the Ribble Valley by the BBC's political editor about the date of the general election. 10.45 Dennis 11.00 Boom! 11.30 Star Test.

12.00 The Wallabies.

1.00 Voyage To The Bottom Of The Sea. (B/W).

2.00 Film: Mildred Pierce (1945), starring Joan Crawford in her Oscar-winning performance as a self-sacrificing mother who gives up everything to ensure the happiness of her spoiled and selfish daughter. With Ann Blyth, Jack Carson, Zachary Scott, Eve Arden and Bruce Bennett. (B/W).

4.05 The Specialist. 1986 comedy starring Peter Ustinov. (B/W).

4.30 4-Play: Bad Miles (B/W).

5.00 Scottish Eye. Investigating how Scotland is becoming a major training ground for British and NATO armed forces.

5.30 Grimes. Tales.

6.00 Press Gang.

6.30 The Wonder Years.

7.00 Channel 4 News. A special Sunday edition containing all the latest news from the Gulf, followed by weather.

8.00 Orchestra Dudley Moore is given a masterclass in conducting by Sir Georg Solti. He finds out how to be 'in' the music and why conductor should sweat.

8.30 The New Age.

9.00 The Media Show looks at the state of new films, led by Davies Williams. (B/W).

9.30 LWT Weather.

10.00 Screen Two: A Private Life. Starring Bill Nighy and Jane Birkin. A love story spanning two generations of a couple trying to live their private life against the background of Apartheid in South Africa. Jack and Stella fall in love and defy the colour bar by returning together for 30 years. Written by Andrew Davies.

10.45 Film: Two Angry Men (1957). Starring Henry Fonda and Lee J. Cobb. In a hot, muggy New York courtroom the 12 jurors have to adhere to the basic rule; that the defendant must be seen to be innocent, unless proven guilty beyond reasonable doubt with the aid of a Puerto Rican boy in their hands they consider their verdict. Directed by Sidney Lumet.

11.30 The South Bank Show.

12.30 News.

1.30 Indy Car Racing. Budweiser Cleveland Grand Prix.

2.30 Pick Of The Week.

3.00 Special Squad.

5.00 Wanted: Des Or Alive. (B/W).

5.30 ITN Morning News.

5.30 Close.

REGIONS

5.45 Wales as Channel 4 except at the following times:

7.00 Transworld Sport. 10.00 Class By Class. 10.30 Frost For All. 11.00 Travelog. 11.20 Pictures Corner. 11.30 Sunday. 11.45 Sumo. 12.00 Film. It Should Happen To You. 2.35 In Plain Sight. 8.30 Newsround. News. 8.45 Nos. 8.55 News. 8.55 Saturday. 8.55 Y Maes Gwyl. 9.15 The Welsh Assembly. 9.25 Film. Too Late Blues. 11.25 Ladies And Gentlemen.

6.00 Regions as London except at the following times:

1.05 Anglia News. 2.10 The A-Team. 5.10 Anglia News.

2.00 BORDER

1.05 Border News. 1.40 The Six Roads. 2.40 Spectacular World Of Guinness Records. 5.10 Border News.

3.00 CENTRAL

1.05 Central News. 1.40 Ski Tips. 2.10 Matlock. 5.10 Central News.

4.00 CHANNEL

1.05 Diary Date. 2.10 The Life And Times Of Grizzi Adams. 5.10 Channel News.

5.00 GRAMPIAN

1.05 Grampian Headlines. 1.40 Alzair. 2.10 Coronation Street. 5.10 Grampian Headlines.

6.00 NW WEST

1.05 HTV News. 2.10 The Young Riders. 5.10 HTV News.

7.00 SCOTTISH

1.05 Scotland Today. 1.40 Headlines. 2.10 Coronation Street. 5.10 Scottish News.

8.00 TSW

1.05 The South West Week. 2.10 Coronation Street. 5.10 Barnstaple. 5.20 The Hi-Tech National. 5.30 Plymouth. 5.40 Glastonbury. 5.50 TV South West. 5.55 TV South West.

9.00 YORKSHIRE

1.05 Calendar News. 1.40 The A-Team. 2.10 Northern Life - Saturday Special.

3.00 ULSTER

1.05 Ulster Newsline. 2.00 Ulster Newsline. 2.10 Ulster Newsline. 5.10 Ulster Newsline.

6.00 YORKSHIRE

1.05 Yorkshire. 2.00 West Country Farming. 2.25 HTV News. 2.30 HTV Newsweek. 2.35 HTV News.

3.00 LWT Wales. 3.25 West Country Farming.

4.00 SCOTTISH

1.05 Glen Michael's Cartoon Cavalcade. 1.15 Link. 1.30 Sunday Service. 1.40 Scottish Sun. 2.00 The Sunday Times. 2.10 Scotland Today. 3.00 Viva On Sunday. 4.00 Scotland. 5.00 Songs For Oscar. 6.00 Scotland Today.

7.00 TSW

1.05 TSW News. 1.25 Agenda. 8.25 TSW News. 11.00 Gulf News Report.

8.00 TSW

1.05 The Beat. Page. 2.25 Regional News. 2.25 The Beat. Page. 5.00 Northern Life Review. 5.25 Coronation Street. 5.25 Regional News.

9.00 ULSTER

1.05 Gardening Time. 1.25 Ulster Newsline. 1.25 Coronation Street. 1.25 Ulster Newsline. 1.2

Private View

The unrepentant Arabist

Sir James Craig talks to Christian Tyler about the Foreign Office, the Middle East and the Gulf War



SIR JAMES Craig, one of Britain's top Arabists, swears he has never been on a camel in his life. Nor, until last year, had he ever been offered a sheep's eye. When the moment finally arrived, in Doha his gorge rose and he passed the slimy morsel to another guest.

It was not the romance of bedouin in their tents or moonlight on the desert, that brought Craig from the academic world into the Foreign Office and eventually to ambassadorships in Syria and Saudi Arabia. He was captured by grammar and syntax. Languages are his profession and his passion.

"Language is the great love of my life," he said. "I would die for grammar, for the subjunctive. I love etymology, the history of language, comparative language. It is the greatest achievement of mankind." He collects abstruse books of grammar in tongues such as Hausa and Swahili.

There is probably no better speaker of Arabic in the West. This skill in the holy language of the Koran makes him irresistible to the Arabs. A colleague remembers him at a dinner in Damascus keeping the whole table rocking with a stream of Arabic puns.

A humorist lurks below the mandarin accoutrements of beetling black eyebrows under white hair, a pipe and gold watch chain. Craig enjoys a high reputation as a political analyst but there is nothing old-bufferish about him. Perhaps it is because he escaped the premature polishing of a public school education: his father was a joiner who migrated from a small village in Perthshire to Liverpool during the Depression, and Craig went to Oxford on a scholarship from grammar school.

Although a pyrotechnic linguist, he is also a plain speaker. Challenged once by Golda Meir of Israel as to who started the Six-Day War, he replied simply: "You did, Prime Minister". His valedictory assessment of Saudi society, containing a lot of home truths, was leaked to the press and caused a furore. But the Saudis let him return to the country and many, he says, privately accepted his observations as accurate.

The experts got it wrong in Iran. Failing to spot the revolution against the Shah: some would say they got it wrong again in Iraq, helping sustain a dictator who turned out to be a danger to the whole region.

Craig readily admitted that the night before the rape of Kuwait he, the experienced Arabist, had betted that Iraq would not invade. "We've heard so much about Saddam Hussein's consummate skill. It seems to me it was a disaster to invade Kuwait and I didn't contemplate that anyone would be so foolish."

I asked whether British policy, by being too self-serving in the past, was partly to blame for the present war. Were we not in some way responsible for the rise of people like Saddam?

"I don't think we're the slightest bit responsible. They have been brought there by internal forces: it would be hard to say always by the people, but by the internal dynamics of the different countries. There is no mechanism for dealing directly with the people and if you were to try you would be open to the charge of interfering with their internal affairs.

"If you mean we should impose some pressure in order that they should reform their regimes, I should say absolutely not. We have imposed our wishes too often in the past and it has left a legacy of resentment which we are observing now. It doesn't seem to me that it is our duty or anyone's duty to try to reform the internal regimes of the whole world."

Yet we employed a lot of rhetoric

against communist regimes for their abuse of human rights, I pointed out.

"It was recognised that they were a danger to us. Saddam Hussein was not our declared enemy, was not a danger to us. The situations are different. Even with hindsight I still can't feel very guilty I did not foresee — nor did anyone else — that Saddam Hussein would become a danger, as I think he is now, to the peace of the world."

Human rights was a serious problem, he admitted. "But it's also very difficult to find an answer to it. It involves making judgments, drawing lines. And the difference between country A and country B may be very small. Almost every country will have some kind of secret police. How much less brutal does it have to be before we do

business with them? I recognise the problem. I have no answer to it."

The British Foreign Office has the reputation of being pro-Arab (while government and public are usually pro-Israel), I asked why.

"The Foreign Office took the view, not out of sympathy for the Arabs or hostility to Israel but out of an assessment of British interest, that we ought to be more understanding of the Arab case." Parliament and public were coming to that view now, he added.

Will you always be suspect to British Jewish organisations?

"That was the case but I think it has changed now. In the middle of my career I think people outside would have gauged that my sympathies were pro-Arab. I would have contested that and said that my

business with them? I recognise the problem. I have no answer to it."

He has the knack of wrong-footing opponents two strides before he reaches them. When there is no gap to squeeze through he will suddenly spin away, wheeling at centre ice, the puck glued to his stick until a team-mate is open. With a flick of the wrist another noiseless pin-point pass zips on its way.

Somehow, Gretzky can become invisible as well as silent. "He does a neat job of staying out of sight — out of your peripheral vision," said New York Islanders' defender Gary Nylund.

Gretzky is fond of saying: "I go where the puck is going, not where it was." It sounds easy, but only he is smart enough to do it.

He has unusual stamina. In Edmonton he would regularly spend twice as much time on the ice as other attacking players. In LA he is protected and takes a regular turn, every third shift. That, combined with the weaker supporting cast and a league-wide fall in goal-scoring, helps explain the slight downturn in Gretzky's scoring which made some of the 30th birthday stories read like obituaries — even so he again comfortably leads the league scoring race.

In addition, now that he has few records to break, perhaps Gretzky is pacing himself through the regular season, treating it like the glorified exhibition series it is, saving himself for the one prize that matters: the Stanley Cup. Non-sensically, the 21 teams in the league play 80 regular-season games apiece to eliminate just five teams from

the Stanley Cup play-offs, and the Kings are in no danger of missing out.

Gretzky has always been able to raise his game even higher in the Stanley Cup play-offs, but will have to be at his peak if LA is to end its dismal record of never reaching the third round.

Four days before the Vancouver game, LA entered the final period trailing narrowly to New Jersey. But rather than getting behind their team the Forum fans wanted to get behind the wheels of their cars. As the Kings laid siege to the visitors' goal the fans streamed through the exits. Gretzky's purpose in LA is to keep them in their seats one evening in May long enough to see him hold the Cup aloft again. His motley supporting cast make that an implausible script, but Gretzky's greatest gift — the one that makes Tinseltown his natural home — is his ability to deliver the theatrical ending.

There are faster skaters who would not have anticipated the Canucks pass on which Gretzky pounced.

Gretzky, at 12 stone and 6 ft, is small by NHL standards. In hockey high-speed body contact is legal. Every team has its hard men and they all want to put the frighteners on Gretzky. But they cannot catch him.

In the middle of the high-speed mêlée that is an NHL game, Gretzky is easy to pick out. He is the one in yards of space, even when he is perched in the narrow corridor behind the opponent's goal orchestrating attacks.

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sympathies were pro-British and that those sympathies led me to support the Arab case in many aspects of the problem, not in all. The feeling that everyone has to be on one side or the other is much diminished."

Do the British have a better understanding of the Arabs than others?

"If I had a pound for every time I have been told by the Arabs that the British understand them better than other people, I would be rich man. I've always taken to with a pinch of salt. We have tended to have a bigger reservoir of people who knew the Middle East, for historical reasons."

I asked Craig whether there was such a thing as the Arab mind.

"I have thought about this question a long time, and I don't think it is possible to say there is." There were a few characteristics common to different Arab societies, such as love of language and oratory, and of course the influence, even on Christian Arabs, of Islam.

We also hear that there is an Arab inferiority complex. Do you agree?

"It is such a distorted, hackneyed phrase that I'm very reluctant to apply it." But the fact that the region was industrially and technically backward — like other parts of the globe — meant that everything from motor cars and antisepsis to socialism and Darwinism had been imported.

"If you are an Arab and very conscious of the enormous cultural domination you had 1,000 or 1,200 years ago it must be pretty daunting to see that your present society is being swamped by all these imports. It's a feeling we had here on a smaller scale 30 years ago when we all felt we were being Americanised."

When you are surrounded and submerged by all these imports you tend to look back to your own achievements — and my goodness they were very great achievements — and say: 'Why were we good?' Because we were pure. It became the trigger for Islamic fundamentalism."

I asked for the outcome of the Gulf war.

In the worst case, he said, there would be long-lasting hostility between the Arab world and the West. In the best, the West and the US in particular would realise that it was Israel's occupation of the remnants of Palestine that prevented hostility being assumed.

American public might come to see that Israel far from being an asset to the west, was a handicap.

America has had to say to Israel during this war: 'Lie down, pull a blanket over your head and keep quiet.' That proves that the presence of Israel, at least in occupied territories, is a handicap.

"But it is not enough for that realisation to dawn on the US government. It has to dawn on US public opinion. But the PLO has behaved very foolishly and sympathetically for the Palestinians has been considerably diminished. So I am not on the whole, optimistic."

What does the war mean to you personally?

"One can't live and work with a people, a language, a culture, a society all those years without developing a deep interest in it, and a certain amount of affection. I don't wish to exaggerate that affection. I don't mean that I'm in love with the Arabs."

"When I see a war in that area and people dying I am naturally very distressed in way that I was not — it sounds callous to say so — moved by the war in Vietnam."

"This crisis has led me into disagreement with many of my friends, both Arab and British friends, who don't take the view I take that this war was both just and necessary."

Two nights ago the real Norman Lamont and these experts enjoyed a particularly spirited session. I know all about it because my mole has placed a tape recorder in the room where they meet. I am nervous of these tapes, and not sure where they leave me criss-cross in the mush-rooming codes of practice and professional deportment with which journalism is now beset. Yet the story is so important that I must not play things by ear.

During daylight hours, the real Norman Lamont is closeted with his officials and with hot-shot political coaches, fathoming out how to extricate the Tories from the mud of recession, and win an election, without stabbing themselves in the eye again.

Each evening, however, the real Norman Lamont spends two hours with a trio of advisers — titans in their own fields — who are trying to revitalise him for the daunting tasks ahead. They are: Ron Mansfield, an expert in sports psychology; Juliet Fetherbyne, one of London's foremost PR consultants, and Micky Maff, a young and soaring American — especially the B's and C's: do you think you can manage that? start by flattening your hair — and trusted by men. Self-image is all-important: the caring sharing you must grow from within. Perception-wise, we've got to find to the '90's man lurking deep inside you."

There is more mumbling on the tape.

Ron: "You seem to be doing your gym-work, chancellor, but we've got to down-size you faster: you're still too plump, too reminiscent of the young Nigel Lawson. That spells catastrophe. These are the classless '90's: slimness is where we're at. Don't you agree, Micky?"

Micky: "Yeah, absolutely."

I've been reading Juliet's press cuttings and there is one aspect of your image, Norm — your infamous Italianness — that we've really got to kill. Last December one of the papers likened you to a Neapolitan tenor: dark, fleshy, dramatic, with unexpectedly delicate gestures. From now on you're to eat nothing but salads and vegetables: smoked salmon salads, pan-braised celeriac, potato and mushroom ramekins. We'll sort you out, Norm."

The tape sputters furiously.

Juliet: "Of course we're on you're side, chancellor. Micky should have added that your appearance is deceiving. Even the papers say you are the soul of circumspection, a cool, calculating cabalist who has reached the peak of his career by augmenting natural talent with well-timed trimming."

Micky: "They also say he's raffish."

Ron: "... Drop it right there, Micky. Remember, the budget is looming dangerously. The chancellor has much to do before his public re-appearance. Now then, Norman, say after me: 'I am a warrior. I am the champion. Might is right and right is..."

There is a deafening crash, and the sound of glass shattering.

Ron: "After him, Micky. Sound the alarm. Juliet. Whatever happens, he mustn't escape..."

Ice Hockey/Peter Berlin

LA enters the ice age

SPORTS fans in Los Angeles arrive late and leave early. They are a quiet bunch too. When the Kings ice hockey team play at home there are times when the only sound is the click-click of the puck being passed from stick to stick. But when No 99 passes there is no noise, just a click when the puck arrives, as if laser-guided, on a team-mate's stick.

Nowadays, there is a brief spell in the second period of each game when the Great Western Forum is as near full as it ever gets (many season ticket holders turn up only occasionally). Two years ago swathes of seats were empty throughout, but that was before The Great One, Wayne Gretzky, arrived.

Gretzky came to LA from Edmonton in August 1988. The Kings traded two budding stars in return, but, unusually for North American sport, the deal was anchored in cash. Peter Pocklington, owner of the Edmonton Oilers — and of Gretzky's contract — pocketed \$15m.

The Kings got the man who had rewritten the National Hockey League record books and led the Oilers to four Stanley Cup wins. More importantly, they bought themselves credibility.

Los Angeles is isolated in the sun-shine, thousands of miles from the game's heartland in the snow belt. The Kings had a long losing record. Gretzky was a ready-made celebrity, a Canadian comedy star, stands in his seat and acts as cheerleader. If a star tells you to shout in LA, you shout.

Where does Gretzky believe his talent lies? "I'm mostly a finesse player. I don't have a lot of speed or a lot of strength. I try to rely on my brains."

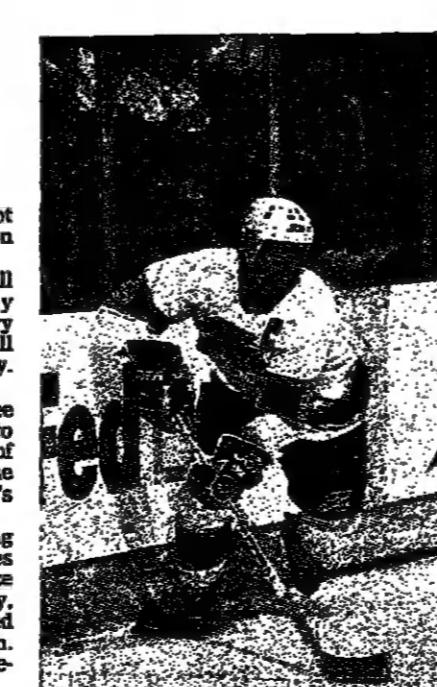
owner, Bruce McNall, who made millions dealing in coins, stands amid the furor and briefly ponders: "Stallone and Candy come out to games now — that's changed the excitement level."

Indeed, just about the only time the fans make a noise is when John Candy, a Canadian comedy star, stands in his seat and acts as cheerleader. If a star tells you to shout in LA, you shout.

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Gretzky's skating style may be unorthodox — he leans a long way forward and uses long, stiff-kneed strides — but he is fast enough. Against Vancouver he scored on a characteristic breakaway, skating two-thirds of the rink one step ahead of the pursuing Canucks, waiting for goalie Troy Gamble to commit himself, then flipping the puck round the goalie's body. If Gretzky were slow he would have been caught; but

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The Great One: Wayne Gretzky has turned Los Angeles into a contender

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THIS resignation of Kenny Dalglish as manager of Liverpool yesterday demonstrated that soccer even success has a price.

Dalglish explained: "The biggest problem was the pressure I was putting myself under in my desire to be successful."

Dalglish joined Liverpool as a player in 1977 and became manager the day after the Heysel Stadium tragedy in 1985. The next year he led them to the double of English League and English FA Cup for the only time in their history. Since then he has won two further championships and one FA Cup.

Liverpool lead the First Division and next Sunday face a showdown with Arsenal, their chief rivals. They are still in the FA Cup, locked in a fourth-round tie with their neighbours Everton after a 4-4 draw on Wednesday night. Next season they are likely to return to European competition for the first time since Heysel. If that is pressure, then it is the type of pressure any coach in sport would welcome.

Dalglish is always wary. Given the choice, he keeps his thoughts and emotions to himself and will often refuse to answer even the most innocuous questions, seemingly on the principle that he can see no reason to share his knowledge. He is a tightly-corked man.